20230616009997

Breas Medical Holdings AB
Org nr 559093-4625

Årsredovisning för räkenskapsåret 2022

Styrelse och vd avger följande årsredovisning.

Innehåll Sida

- förvaltningsberättelse 2
- resultaträkning 4
- balansräkning 5
- förändring av eget kapital 7
- kassaflödesanalys 8
- noter 9

Om inget annat särskilt anges, redovisas alla belopp i tusental kronor.

Undertecknad styrelseledamot i Breas Medical Holdings AB intygar att resultaträkningen och balansräkningen i årsredovisningen har fastställts på årsstämma den 10/6 2023
Årsstämman beslutade att godkänna styrelsens förslag till hur resultatet skall fördelas.

Jag intygar också att innehållet i årsredovisningen, revisionsberättelsen och övriga bifogade handlingar stämmer överens med originalen.

Mölnlycke 2023 - 06 - 10

Caroline Jin

20230516009098

Breas Medical Holdings AB
Org nr 559093-4625

Årsredovisning för räkenskapsåret 2022

Styrelse och VD avger följande årsredovisning.

Innehåll Sida

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Om inget annat särskilt anges, redovisas alla belopp i tusental kronor.

Signatur

Eleni Kinöarkou

Namnförtydligande

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Telefonnummer

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Förvaltningsberättelse

Information om verksamheten

Bolaget skall äga och förvalta dotterbolagsandelar samt bedriva därmed förenlig verksamhet.

Breas Medical Holdings AB ägs till 100 % av Fosun Medical Holdings AB.
Bolaget är moderbolag till tre stycken helägda dotterföretag: Breas Technologies AB, Breas Medical Inc samt Spire DME LLC.

Väsentliga händelser under räkenskapsåret

Inga väsentliga händelser

Ekonomisk översikt

			2022	2021	2020
Nettoomsättning	tkr		-	-	-
Resultat efter finansiella poster	tkr		-375	-114 440	-19
Balansomslutning	tkr		223 323	223 274	339 039
Antal anställda	st		-	-	-
Soliditet	%		98,0%	98,8%	98,80%
Avkastning på totalt kapital	%		0,022%	0,021%	0,015%

Nyckeltalsdefinitionerna framgår av not 1.

ANDREAS

Signatur

Eleni Kiriakou

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20230616100000

Förslag till resultatdisposition (kr)

Medel att disponera:	
Aktieägartillskott	334 968 366
Balanserade vinstmedel	-114 580 777
Årets resultat	-375 028
	220 012 561

Styrelsen och verkställande direktören föreslår att medlen disponeras så att:

i ny räkning överföres	220 012 561
	220 012 561

Beträffande bolagets resultat och ställning i övrigt hänvisas till efterföljande resultat- och balansräkningar med tillhörande tilläggsupplysningar. Belopp i tkr om inget annat anges.

Signatur

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20230616100001

Resultaträkning	Not	2022	2021
	1		
Nettoomsättning		-	-
Bruttoresultat		-	-
Rörelsens kostnader			
Övriga externa kostnader	3	-2	-4
Rörelseresultat		-2	-4
Resultat från finansiella poster			
Ränteintäkter och liknande resultatposter	4	51	51
Räntekostnader och liknande resultatposter	5	-424	-5
Resultat från andelar i koncernföretag		0	-114 483
Summa resultat från finansiella poster		-373	-114 436
Resultat efter finansiella poster		-375	-114 440
Bokslutsdispositioner			
Erhållna koncernbidrag		0	0
Lämnade koncernbidrag		0	-42
Skatt på årets resultat		0	0
Årets resultat		-375	-114 483

Signatur

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Balansräkning	Not	2022-12-31	2021-12-31
Tillgångar	1		
Anläggningstillgångar			
Finansiella anläggningstillgångar			
Andelar i koncernföretag	2	220 521	220 521
Summa anläggningstillgångar		220 521	220 521
Omsättningstillgångar			
Kortfristiga fordringar			
Fordringar hos koncernföretag		2 784	2 735
Kassa och bank	7	17	17
Summa omsättningstillgångar		2 802	2 753
Summa tillgångar		223 323	223 274

Signatur

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20230616100003

Balansräkning	Not	2022-12-31	2021-12-31
	1		
Eget kapital och skulder			
Eget kapital	6		
Bundet eget kapital			
Aktiekapital		100	100
		100	100
Fritt eget kapital			
Aktieägartillskott		334 968	334 968
Balanserat resultat		-114 581	-98
Årets resultat		-375	-114 483
		220 013	220 388
Summa eget kapital		220 113	220 488
Kortfristiga skulder			
Skulder till kreditinstitut		0	0
Skulder till koncernföretag		3 210	2 786
Upplupna kostnader och förutbetalda intäkter	8	0	0
		3 210	2 786
Summa kortfristiga skulder		3 210	2 786
Summa eget kapital och skulder		223 323	223 274

Signatur

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Förändring av eget kapital

	Aktiekapital	Övrigt fritt eget kapital	Årets resultat	Totalt
Eget kapital 2021-01-01	100	334 887	-17	334 970
Omföring resultat föregående år		-17	17	0
Årets resultat			-114 483	-114 483
Eget kapital 2021-12-31	100	334 870	-114 482	220 488

	Aktiekapital	Övrigt fritt eget kapital	Årets resultat	Totalt
Eget kapital 2022-01-01	100	334 870	-114 482	220 488
Omföring resultat föregående år		-114 482	114 482	0
Årets resultat			-375	-375
Eget kapital 2022-12-31	100	220 387	-375	220 113

Aktiekapitalet består av 100.000 aktier med kvotvärde 1 kr.

Signatur

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Kassaflödesanalys för moderbolaget	Not	2022	2021
		1	
Den löpande verksamheten			
Övriga utbetalningar från löpande verksamhet		0	0
Kassaflöde från den löpande verksamheten		**0**	**0**
Investeringsverksamheten			
Återbetalning av koncerninterna lån		0	0
Utbetalningar för koncerninterna lån		0	659
Kassaflöde från investeringsverksamheten		**0**	**659**
Finansieringsverksamheten			
Erhållna aktieägartillskott		0	0
Upptagna lån		0	0
Amortering av lån		0	-650
Utdelning från dotterföretag		0	0
Betald ränta		0	-9
Erhållen ränta		0	0
Kassaflöde från finansieringsverksamheten		**0**	**-659**
Årets kassaflöde		0	0
Likvida medel vid årets början		17	17
Likvida medel vid årets slut	7	17	17
Beviljad ej utnyttjad checkräkningskredit		0	0
Tillgängliga likvida medel		17	17

Tillgängliga likvida medel består av balansräkningens poster kassa och bank.

Signatur

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Noter

Not 1 Redovisnings- och värderingsprinciper

Årsredovisningen är upprättad med tillämpning av årsredovisningslagen och Bokföringnämndens allmänna råd BFNAR 2012:1 Årsredovisning och koncernredovisning (K3).

Koncernförhållanden:
Breas Medical Holdings AB ägs till 100 % av Fosun Medical Holdings AB.

Bolaget är moderbolag till tre stycken helägda dotterbolag:
Breas Technologies AB, Breas Medical, Inc samt Spire DME, LLC.

Breas Medical Holdings AB är moderbolag, men med stöd av ÅRL 7 kap 2§ upprättas inte någon koncernredovisning. Koncernredovisning upprättas av Shanghai Fosun Pharmaceutical (Group) Co., Ltd med säte i Shanghai, Kina.

Inkomstskatter
Aktuella skatter värderas utifrån de skattesatser och skatteregler som gäller på balansdagen. Uppskjutna skatter värderas utifrån de skattesatser och skatteregler som är beslutade före balansdagen.

Fordringar och skulder nettoredovisas endast när det finns en legal rätt till kvittning.

Aktuell skatt, liksom förändringen i uppskjuten skatt, redovisas i resultaträkningen om inte skatten är hänförlig till en händelse eller transaktion som redovisas direkt i eget kapital. Skatteeffekten av poster som redovisas direkt mot eget kapital, redovisas mot eget kapital.

Nedskrivningar av icke-finansiella tillgångar
När det finns en indikation på att en tillgångs värde minskat, görs en prövning av nedskrivningsbehov. Har tillgången ett återvinningsvärde som är lägre än det redovisade värdet, skrivs den ner till återvinningsvärdet. Vid bedömning av nedskrivningsbehov grupperas tillgångarna på de lägsta nivåer där det finns separata identifierbara kassaflöden kassagenererande enheter). För tillgångar, andra än goodwill, som tidigare skrivits ner görs per varje balansdag en prövning av om återföring bör göras.

Finansiella instrument
Finansiella instrument som redovisas i balansräkningen inkluderar kundfordringar och övriga fordringar, leverantörsskulder och låneskulder samt övriga skulder. Instrumenten redovisas i balansräkningen när bolaget blir part i instrumentets avtalsmässiga villkor. Finansiella tillgångar tas bort från balansräkningen när rätten att erhålla kassaflöden från instrumentet har löpt ut eller överförts och bolaget har överfört i stort sett alla risker och förmåner som är förknippade med äganderätten.
Finansiella skulder tas bort från balansräkningen när förpliktelserna har reglerats eller på annat sätt upphört.

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Fordringar
Fordringar har upptagits till de belopp varmed de beräknas inflyta.

Fordringar och skulder i utländsk valuta
Fordringar och skulder i utländsk valuta har omräknats till balansdagens kurs. Kursdifferenser på fordringar och skulder ingår i finansnettot till den del differenserna avser finansieringsverksamheten och i rörelseresultatet till den del differenserna avser rörelsefordringar och rörelseskulder.

Övriga tillgångar och skulder
Övriga tillgångar, avsättningar och skulder har värderats till anskaffningsvärden om inget annat anges nedan.

Kassaflödesanalys
Kassaflödesanalysen upprättas enligt direkt metod. Det redovisade kassaflödet omfattar endast transaktioner som medför in- eller utbetalningar.

Aktier och andelar i dotterföretag
Aktier och andelar i dotterföretag redovisas till anskaffningsvärde efter avdrag för eventuella nedskrivningar. I anskaffningsvärdet ingår köpeskillingen som erlagts för aktierna samt förvärvskostnader. Eventuella kapitaltillskott och koncernbidrag läggs till anskaffningsvärdet när de uppkommer. Utdelning från dotterföretag redovisas som intäkt.

Nyckeltalsdefinitioner

Soliditet
Justerat eget kapital i förhållande till balansomslutningen.

Avkastning på totalt kapital
Resultat före avdrag för räntekostnader i förhållande till balansomslutningen.

VERIFIERAS

Signatur

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Not 2 Andelar i koncernbolag

Bolag:	Org.nr:	Säte:	Andelar %:	2022
Breas Technologies AB	556953-9116	Göteborg, Sverige	100	220 521
Breas Medical, Inc	46-2773465	Boston, USA	100	0
Spire DME, LLC	27-1695794	Boston, USA	100	0
				220 521

Redovisat resultat och bokfört eget kapital i respektive koncernbolag per 2022-12-31

Bolag:	Redovisat resultat:	Eget kapital:
Breas Technologies AB	-62 451	163 032
Breas Medical, Inc	-73 602	-232 713
Spire DME, LLC	425	4 621

Not 3 Ersättning till revisorerna

Moderbolaget har inte belastats med några kostnader för revision under 2021 eller 2022.

Not 4 Övriga ränteintäkter och liknande resultatposter

	2022	2021
Ränteintäkter	51	51
Summa	51	51

Not 5 Räntekostnader och liknande resultatposter

	2022	2021
Räntekostnader	-424	-5
Summa	-424	-5

Not 6 Eget kapital

Aktiekapital

Aktiekapitalet består av 100.000 aktier, med kvotvärde 1 kr.

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Not 7 Likvida medel

	2022	2021
Banktillgodohavanden	17	17
Likvida medel i kassaflödesanalysen	17	17

Not 8 Upplupna kostnader och förutbetalda intäkter

	2022	2021
Upplupna räntekostnader	0	0
	0	0

Signatur

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Breas Medical Holdings AB
559093-4625

20230616100010

Mölnlycke 2023-05-30

Caroline Jin
VD och styrelseordförande

Lior Dayan
Styrelseledamot

Piotr Blaszczyk
Styrelseledamot

Rafi Harout Stepanian
Styrelseledamot

Yuqin Xiong
Styrelseledamot

Yi Liu
Styrelseledamot

Vår revisionsberättelse har avgivits 2023-06-09

Ernst & Young AB
Mattias Olofson, auktoriserad revisor

Signatur

Eleni Kiriakou
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Breas Medical Holdings AB
559093-4625

20230616100111

Mölnlycke 2023 -05- 30

Caroline Jin
VD och styrelseordförande

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Styrelseledamot

Piotr Blaszczyk
Styrelseledamot

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Styrelseledamot

Yuqin Xiong
Styrelseledamot

Yi Liu
Styrelseledamot

Vår revisionsberättelse har avgivits 2023

Ernst & Young AB
Mattias Olofson, auktoriserad revisor

Signatur

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Building a better working world

Signatur

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Revisionsberättelse

Till bolagsstämman i Breas Medical Holdings AB, org.nr 559093 - 4625

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för Breas Medical Holdings AB för räkenskapsåret 2022.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Breas Medical Holdings ABs finansiella ställning per den 31 december 2022 och av dess finansiella resultat och kassaflöde för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Breas Medical Holdings AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen och verkställande direktören som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen och verkställande direktören ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen och verkställande direktören för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen och verkställande direktören avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om att årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

Som del av en revision enligt ISA använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- identifierar och bedömer vi riskerna för väsentliga felaktigheter i årsredovisningen, vare sig dessa beror på oegentligheter eller misstag, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risken för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på misstag, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- skaffar vi oss en förståelse av den del av bolagets interna kontroll som har betydelse för vår revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala oss om effektiviteten i den interna kontrollen.
- utvärderar vi lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens och verkställande direktörens uppskattningar i redovisningen och tillhörande upplysningar.
- drar vi en slutsats om lämpligheten i att styrelsen och verkställande direktören använder antagandet om fortsatt drift vid upprättandet av årsredovisningen. Vi drar också en slutsats, med grund i de inhämtade revisionsbevisen, om det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets förmåga att fortsätta verksamheten. Om vi drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste vi i revisionsberättelsen fästa uppmärksamheten på upplysningarna i årsredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen. Våra slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag inte längre kan fortsätta verksamheten.
- utvärderar vi den övergripande presentationen, strukturen och innehållet i årsredovisningen, däribland upplysningarna, och om årsredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild.

Vi måste informera styrelsen om bland annat revisionens planerade omfattning och inriktning samt tidpunkten för den. Vi måste också informera om betydelsefulla iakttagelser under revisionen, däribland de eventuella betydande brister i den interna kontrollen som vi identifierat.

20230616160013

Building a better working world

Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens och verkställande direktörens förvaltning för Breas Medical Holdings AB för räkenskapsåret 2022 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter och verkställande direktören ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Breas Medical Holdings AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt. Verkställande direktören ska sköta den löpande förvaltningen enligt styrelsens riktlinjer och anvisningar och bland annat vidta de åtgärder som är nödvändiga för att bolagets bokföring ska fullgöras i överensstämmelse med lag och för att medelsförvaltningen ska skötas på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot eller verkställande direktören i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

Som en del av en revision enligt god revisionssed i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaperna. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för vårt uttalande om ansvarsfrihet. Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat om förslaget är förenligt med aktiebolagslagen.

Göteborg den 2023-06-09

Ernst & Young AB

Mattias Olofson
Auktoriserad revisor

Signatur

Eleni Kinakou

Namnförtydligande

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Telefonnummer

A member firm of Ernst & Young Global Limited

FOSUNPHARMA

ANNUAL REPORT 2022

上海復星醫藥(集團)股份有限公司

Shanghai Fosun Pharmaceutical (Group) Co., Ltd.*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code: 02196

*For identification purposes only

OUR MISSION

Bringing better health for families worldwide.

OUR VALUE

Care For Life | Continuous Innovation | Pursuit of Excellence | Sustainable Partnership



INnovation

INternationalization

4IN

INtegration

INtelligentization



Our Vision

We are committed to become a first-tier enterprise in the global medical and healthcare market.

Our Mission

Better health for families worldwide.

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Corporate Information

Directors

Executive Directors

Mr. Wu Yifang (吳以芳) *(Chairman)*
Mr. Wang Kexin (王可心) *(Co-Chairman)*[1]
Ms. Guan Xiaohui (關曉暉) *(Vice Chairman)*[2]
Mr. Wen Deyong (文德鏞) *(Chief Executive Officer)*[3]

Non-executive Directors

Mr. Chen Qiyu (陳啟宇)
Mr. Yao Fang (姚方)
Mr. Xu Xiaoliang (徐曉亮)
Mr. Pan Donghui (潘東輝)

Independent Non-executive Directors

Ms. Li Ling (李玲)
Mr. Tang Guliang (湯谷良)
Mr. Wang Quandi (王全弟)
Mr. Yu Tze Shan Hailson (余梓山)

Supervisors

Ms. Ren Qian (任倩) *(Chairman)*
Mr. Cao Genxing (曹根興)
Mr. Guan Yimin (管一民)

Joint Company Secretaries

Ms. Dong Xiaoxian (董曉嫻)
Ms. Kam Mei Ha Wendy (甘美霞)

Authorized Representatives

Mr. Wu Yifang (吳以芳)
Ms. Kam Mei Ha Wendy (甘美霞)

Strategic Committee

Mr. Wu Yifang (吳以芳) *(Chairman)*[4]
Mr. Chen Qiyu (陳啟宇)[5]
Mr. Yao Fang (姚方)
Mr. Xu Xiaoliang (徐曉亮)
Ms. Li Ling (李玲)

Audit Committee

Mr. Tang Guliang (湯谷良) *(Chairman)*
Mr. Wang Quandi (王全弟)
Ms. Li Ling (李玲)

Nomination Committee

Mr. Wang Quandi (王全弟) *(Chairman)*
Ms. Li Ling (李玲)
Mr. Pan Donghui (潘東輝)

Remuneration and Appraisal Committee

Mr. Yu Tze Shan Hailson (余梓山) *(Chairman)*
Mr. Tang Guliang (湯谷良)
Mr. Wang Quandi (王全弟)
Mr. Chen Qiyu (陳啟宇)
Mr. Pan Donghui (潘東輝)

Environmental, Social and Governance Committee

Mr. Yu Tze Shan Hailson (余梓山) *(Chairman)*
Ms. Li Ling (李玲)
Mr. Wu Yifang (吳以芳)

Registered Office

9th Floor, No. 510 Caoyang Road
Putuo District
Shanghai, 200063, China

1 *appointed as a vice chairman of the Company on 4 January 2022 and* appointed as the co-chairman of the Company on 1 June 2022.
2 appointed as a vice chairman of the Company on 4 January 2022.
3 appointed as the chief executive officer of the Company on 1 June 2022 and appointed as an executive Director of the Company on 10 August 2022.
4 appointed as the chairman of the Strategic Committee on 1 June 2022.
5 retired as the chairman of the Strategic Committee with effect from 1 June 2022.

Principal Place of Business in the PRC

Building A
No. 1289 Yishan Road
Shanghai, 200233, China

Principal Place of Business in Hong Kong

5/F, Manulife Place
348 Kwun Tong Road, Kowloon
Hong Kong[6]

Legal Advisers in Hong Kong

Reed Smith Richards Butler LLP

Legal Advisers in the PRC

Grandall Law Firm (Shanghai)

Auditors

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27th floor, One Taikoo Place
979 King's Road, Quarry Bay
Hong Kong

Principal Banks

The Export-Import Bank of China
China Development Bank
The Industrial and Commercial Bank of China
Bank of China
China Minsheng Bank
Shanghai Pudong Development Bank

Corporate Name

Shanghai Fosun Pharmaceutical (Group) Co., Ltd.*

Stock Abbreviation

FOSUN PHARMA

Share Listing

A Share: Shanghai Stock Exchange
Stock Code: 600196
H Share: The Stock Exchange of Hong Kong Limited
Stock Code: 02196

A Share Registrar and Transfer Office in the PRC

China Securities Depository & Clearing Corporation Limited (CSDCC) Shanghai Branch
188 South Yanggao Road
Pudong District
Shanghai, China

H Share Registrar and Transfer Office in Hong Kong

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong[6]

Corporate Website

http://www.fosunpharma.com

[6] relocated to the current address with effect from 15 August 2022.

* for identification purposes only

Financial Highlights

	2022 RMB million	2021 RMB million (Restated)
Operating results		
Revenue	**43,811**	38,864
Gross profit	**20,642**	18,634
Operating profit	**3,253**	2,382
Profit before tax	**4,581**	6,043
Profit for the year attributable to owners of the parent	**3,737**	4,729
Profitability		
Gross margin	**47.12%**	47.95%
Net profit margin	**9.02%**	12.80%
Earnings per share (RMB Yuan)		
Earnings per share — basic	**1.43**	1.85
Earnings per share — diluted	**1.43**	1.85
Assets		
Total assets	**107,113**	93,249
Equity attributable to owners of the parent	**44,532**	39,139
Total liabilities	**53,055**	44,927
Cash and bank balances	**16,241**	10,317
Debt-to-asset ratio	**49.53%**	48.18%
Of which: Pharmaceutical manufacturing segment		
Revenue	**30,693**	28,772
Gross profit	**16,853**	14,932
Segment results	**3,795**	2,964
Segment profit for the year	**3,419**	2,630

Chairman's Statement



Dear Shareholders,

At present, the pharmaceutical manufacturing industry in the PRC is at the stage of fasten transition, while the pace in industry structure adjustment has accelerated. As bulk purchase of medicine become normal with expansion in product range, the profit margin of generic drugs continued to decline, and revenue growth is facing greater challenges. The R&D and launch of innovative drugs entered the rapid development period. The PRC government encourages innovation driven by clinical values and refuses low-standard repeated R&D, aiming to facilitate the differentiation and globalization of R&D of domestic pharmaceutical enterprises. In respect of medical devices, certain technologies and products achieved breakthrough in domestic production. At the same time, the demand of end users for high-quality medical devices and IVD products has been increasing. Medical devices and IVD industry is still at the path of rapid development. In respect of healthcare services, there was a surge in demand for internet healthcare services. Demand for online healthcare services became a new growth driver. It is expected that integrated online and offline healthcare services will become the major industry trend in the future.

During the Reporting Period, adhering to its business philosophy of "Innovation for Good Health", the Group continued to promote innovation and transformation, fully accelerated international layout, enhanced business focus by product lines, and promoted the improvement in integrated operation and efficiency under business units, thereby achieving steady development in business performance.

Mr. Wu Yifang
Chairman

Chairman's Statement

2022 REVIEW

Businesses directly operated by the Group comprise pharmaceutical manufacturing, medical devices, medical diagnosis and healthcare services, and also has a presence in pharmaceutical commerce through its investment in Sinopharm. During the Reporting Period, under the guidance of the "4IN" strategy (Innovation, Internationalization, Intelligentization and Integration), the Group persisted in the development pattern of "innovation and transformation, integrated operation and steady development" and the mission of creating value for the shareholders, and continued to enhance self-R&D capacity and external cooperation, enrich its product pipelines, strengthen its international layout and improve its operating efficiency, while actively promoting the online and offline layout in the healthcare industry.

By virtue of the revenue contribution from new products and sub-new products, as well as the effective control over marketing expenses, the Group's revenue and recurring income continued to grow steadily during the Reporting Period, realizing a revenue of RMB43,811 million, representing a year-on-year increase of 12.73%. The revenue from new products and sub-new products, including Han Li Kang, Han Qu You, Comirnaty, Jie Bei An, Su Ke Xin and Han Si Zhuang, accounted for over 30% of the revenue from the pharmaceutical manufacturing segment. The revenue structure continued to be optimized. Net profit after deducting extraordinary gain or loss attributable to shareholders of the listed company amounted to RMB3,879 million, representing a year-on-year increase of 18.37%. Net cash flow from operating activities amounted to RMB4,218 million, representing a year-on-year increase of 7.1%.

During the Reporting Period, the Group continued to increase its R&D expenditures, which amounted to RMB5,885 million for the year, representing a year-on-year increase of 18.22%, among which the R&D expenses amounted to RMB4,302 million, representing a year-on-year increase of RMB465 million or 12.12%.

1. Continued to promote the development and launch of innovative products

During the Reporting Period, 6 self-developed innovative drugs (indications), 4 license-in innovative drugs (indications) and 27 generic drugs (indications) of the Group were approved for launch in Chinese mainland/Hong Kong/U.S. 7 innovative drugs (indications) and 30 generic drugs (indications) had applied for launch (NDA) in Chinese mainland. 22 innovative drugs (indications) were approved for clinical trials (IND) in Chinese mainland.

As at the date of this report, a number of the Group's innovative products/indications have been approved for launch: Han Si Zhuang (serplulimab injection), the first self-developed biopharmaceutical innovative drug of the Group, has been successively approved for three indications, i.e. microsatellite instability-high (MSI-H) solid tumors, squamous non-small cell lung cancer (sqNSCLC) and extensive-stage small cell lung cancer (ES-SCLC). Comirnaty BNT162b2 and Comirnaty Bivalent Vaccine have been officially registered in Hong Kong and approved as a regular imported vaccine in Macau, while the related dosage forms for children and infants have been granted emergency use authorization (EUA) for the government vaccination programs in Hong Kong and Macau, respectively. The innovative indication Rheumatoid Arthritis (RA) of Han Li Kang (rituximab injection) has been approved for launch and included in the National Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance Drugs Catalogue (2022) (《國家基本醫療保險、工傷保險和生育保險藥品目錄(2022年)》) (the "**National Medical Insurance Drug Catalogue**"). The Azvudine tablets jointly developed by the Group and Genuine Biotech obtained the emergency conditional approval from the NMPA in July 2022 for use in treatment of adult patients suffering moderate COVID-19. Keverprazan Hydrochloride tablets (trade name: Bei Wen (倍穩)), the first potassium ion competitive acid blocker (P-CAB) independently developed in China, jointly developed by the Group and Carephar, and exclusively commercialized by the Group, was approved for launch in Chinese mainland in February 2023 for the treatment of duodenal ulcer (DU) and reflux esophagitis (RE). Han Qu You (trastuzumab injection), independently developed by the Group and licensed to Cipla, has been approved for launch in Australia, and its approved indications cover all approved indications of the branded drug in that country.

As at the date of this report, a number of products independently developed, co-developed and licensed-in by the Group have successively entered the critical clinical/approval stage: Han Si Zhuang (serplulimab injection) for the treatment of small cell lung cancer (SCLC) was successively granted Orphan Drug Designation by the U.S. FDA and the European Commission (EC) in 2022, and a head-to-head bridging trial comparing to first-line standard of care with Atezolizumab for extensive-stage small cell lung cancer (ES-SCLC) has been initiated in the United States. The third indication of Yi Kai Da (ejilunsai injection) (for the treatment of adult patients with large B-cell lymphoma (r/r LBCL) that is refractory to first-line immunochemotherapy or that relapses within 12 months of first-line immunochemotherapy), for which the NDA in Chinese mainland was accepted in October 2022, and has been included in the list of priority review products. The phase III clinical study of 13-valent pneumococcal conjugate vaccine (multivalent combinations) has been initiated in Chinese mainland.

2. Continued to enhance global operation/commercialization capabilities

During the Reporting Period, the Group initiated the preparatory work for the commercialization of Han Si Zhuang (serplulimab injection) in the United States, established its own U.S. innovative drug team covering medical affairs, market access, sales and other functions, and reached an in-depth cooperation with Syneos Health to provide comprehensive support for the commercialization of Han Si Zhuang in the United States. Sisram Medical and Breas continued to enhance their global channel capabilities. Sisram Medical added direct sales team in the United Kingdom and Dubai and strengthened its operational capabilities in Chinese mainland, where LMNT, a home energy source medical beauty product, was launched to start the To C business, with its direct sales revenue increased to 66% of its total revenue in 2022. Breas accelerated its pace to build direct sales teams in China and the United States, and obtained a production license for the localized version of the To C product Z1 ventilator, which would be mass-produced in Hainan.

Relying on years of industrial experience, extensive investment in innovative R&D and global channel network construction, the Group has the industry-leading global two-way licensing capability to maximize the value of self-developed products and collaborative innovative products. During the Reporting Period, the Group and Amgen's subsidiary entered into license agreements regarding the exclusive commercialization of its 2 innovative drugs, namely Otezla (apemilast tablets) and Parsabiv (etelcalcetide), in Chinese mainland (excluding Hong Kong, Macau and Taiwan, China). The Group reached collaborations on a number of overseas innovative products such as the immune inhibitor Grafalon (anti-human T lymphocyte rabbit immunoglobulin injection) and a bifunctional HER2-sialidase fusion protein. Shanghai Henlius, a subsidiary, successively granted various product licenses to Organon, Eurofarma, Abbott, Getz Pharma and other companies, in order to cover incremental markets with the help of leading international partners. In addition, Gland Pharma, a subsidiary, proposed to acquire Cenexi, a European CDMO company, with a maximum total amount payable of up to EUR210 million, so as to strategically establish its CDMO business presence in the European market and build up local manufacturing capabilities in Europe.

3. Continued to promote strategic upgrading and internal integration

During the Reporting Period, the Group further sorted its internal business and promoted the improvement of operational efficiency.

At the beginning of 2022, the pharmaceutical manufacturing segment was upgraded and divided into the innovative medicines division, established medicines manufacturing & supply division and vaccines division to strengthen the business focus by product lines. During the Reporting Period, the innovative medicines division relied on the global R&D center to coordinate and manage the innovative drug R&D team and innovation product pipeline, integrated internal and external R&D resources and talents, improved talent team construction, continued to enhance the early R&D and CMC R&D capabilities, optimized pipeline management with dynamic adjustments, continued to optimize and improve the R&D efficiency, and accelerated clinical advancement and product launch progress. The established medicines manufacturing & supply division continued to build regional production centers to gather production capacity and achieve the integration of APIs and preparations, further improved production and operation efficiency, and expanded production cost advantages. Meanwhile, it coordinated the R&D of generic drugs within the system at the division level with a focus on the R&D of first generic drugs, first three generic drugs, and difficult and complex preparations. The vaccines division fully integrated the technology platforms of bacterial vaccines and viral vaccines, and combining the strengths and complementary points of both platforms to improve the overall operational efficiency in terms of R&D team integration, sales channels, production base coordination and other aspects.

During the Reporting Period, the Group's healthcare services segment actively explored the online and offline integrated service model, connecting online and offline services both inside and outside the hospital to provide users with a one-stop healthcare service based on medical-level trust and a full-cycle closed-loop solution.

4. Digitally empowered business continued to grow

During the Reporting Period, the Group continued to optimize its digital technologies and means, focusing on building a digital business middle-end platform, management middle-end platform and data middle-end platform. In terms of the digital business middle-end platform, the Group promoted the digitalization of drug R&D, iteratively developed the full life cycle management platform of INNOX R&D projects, established a digital system for the whole R&D process and an R&D data analysis platform, and innovated and explored AI technology to empower R&D business applications, thereby improving R&D management efficiency. The Group deepened intelligent manufacturing, set intelligent manufacturing standards through top-level design and established a super digital factory. The development of the supply chain system was improved, and a supply chain management and traceability system was established, thus realizing intelligent decision-making from sales forecasting to production planning. A unified management platform for digital and intelligent marketing was built to achieve precise online marketing. In terms of the digital management middle-end platform, the Group improved the human resources management system and built an eHR platform for digital human resources management. The Group facilitated the integration of business and finance, developed an integrated platform for enterprise digital management system, and facilitated the launch of system by several domestic and overseas subsidiaries. In terms of the digital data middle-end platform, the Group established a group database, connected human resources, finance, quality, operations, procurement, EHS and other data to the data platform for modeling and prepared visual analysis reports to provide guidance on corporate budget management and empower business growth strategies.

OUTLOOK

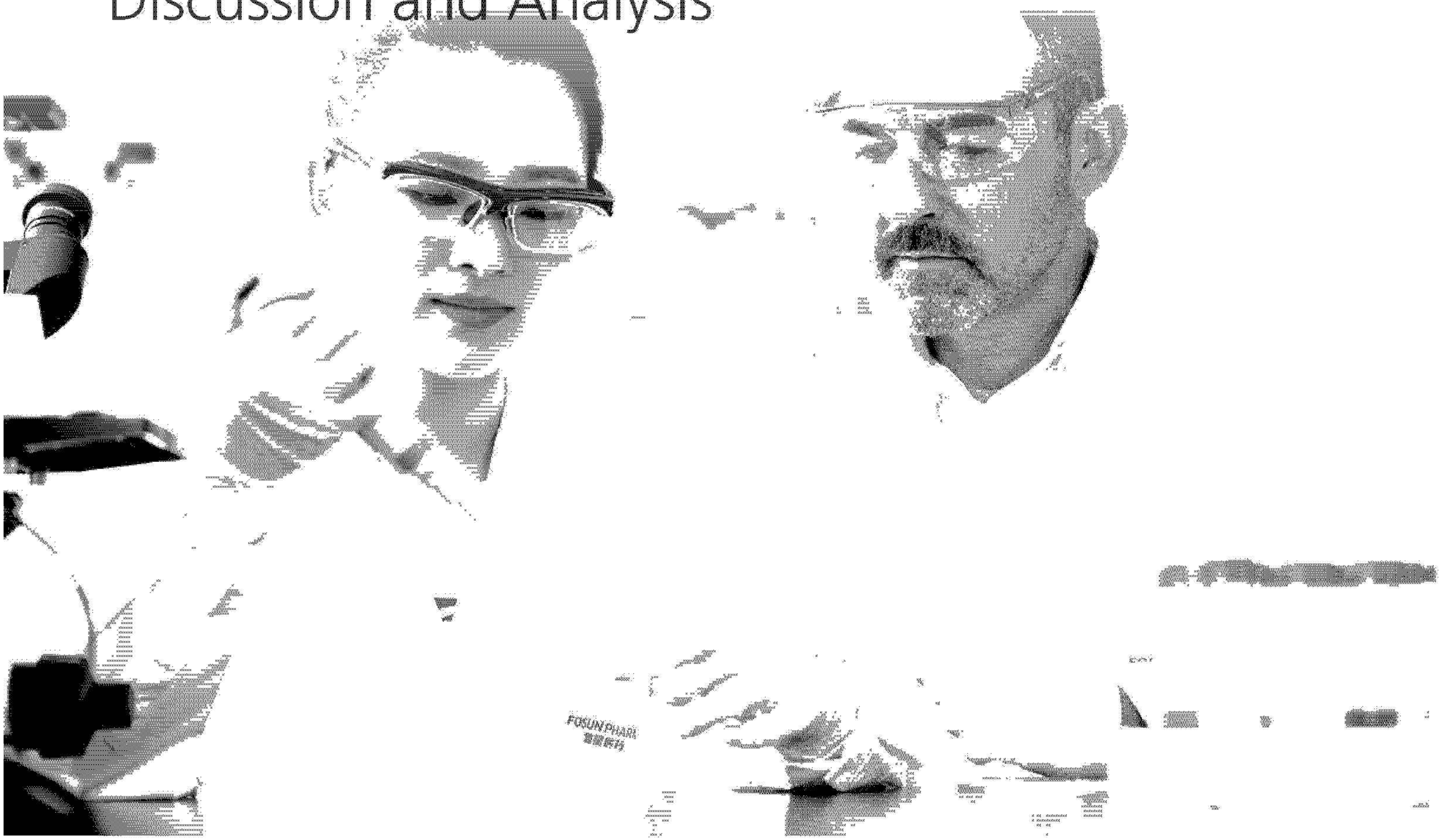
In 2023, the pharmaceutical and healthcare industry in the PRC will remain in an important stage of development and transformation which will be presented with both tough challenges and opportunities for innovation and international development. The Group will commit to its mission of improving human health, adhere to its corporate philosophy of "Innovation for Good Health", and endeavor to capture the momentum presented by the broad pharmaceutical market in China as well as the rapid growth in mainstream markets such as Europe and the U.S. and certain emerging markets. The Group adheres to the development strategies of innovation and transformation, integrated operation and steady development, so as to further enhance its establishment of core competence to improve its operating results. In terms of innovation and internationalization, the Group will continuously enhancing its independent R&D capability and continue to achieve the transformation and practice of global innovative advanced technology by adopting license-in projects, deep incubation and other models to access the global innovative advanced technology so as to facilitate the innovation and transformation and propel the international expansion of the Group. With respect to production and operation, the Group will strengthen the upgrading and optimization of production and manufacturing system, continue to improve supply chain management, promote the consolidation of production resources and realization of star production lines for products within the Group. By taking smart factories as standard, the Group will build new manufacturing bases for preparations and APIs, so as to secure production capacity for newly launched products and key products. At the same time, the Group will continue to promote the transformation and upgrading of the digitalization and the intellectualization of enterprises. In addition, the Group will focus on the construction of an operation system as a healthcare service group to further strengthen its management in the healthcare services segment.

In 2023, the Group will continue to accelerate innovation and vigorously expand into the international market. It will also actively deploy products and technologies in therapeutic areas with greater unmet needs. The Group will strengthen R&D efficiency and optimize its product structure. The Group will enhance its operational efficiency in the healthcare services industry, expand the construction of competitive disciplines, and continue to implement online and offline integration. Meanwhile, the Group will continue to promote lean operations to reduce costs and increase efficiency, and optimize its financial structure.

I would like to express my sincere gratitude to all Shareholders, members of the Board, the management, employees and business partners of the Group.

Mr. Wu Yifang
Chairman

27 March 2023



FINANCIAL REVIEW

During the Reporting Period, the audited annual results and the summary of basic financial results prepared by the Group in accordance with HKFRS are as follows:

During the Reporting Period, revenue of the Group amounted to RMB43,811 million, representing an increase of 12.73% as compared to 2021.

During the Reporting Period, the profit for the year attributable to owners of the parent of the Group amounted to RMB3,737 million, representing a year-on-year decrease of 20.98%. The decrease in profit for the year attributable to owners of the parent as compare to last year was mainly due to the year-on-year decrease in extraordinary gain or loss as a result of the loss on changes in fair value of financial assets during the Reporting Period. The Group recorded net profit after deducting extraordinary gain or loss attributable to owners of the parent amounted to RMB3,879 million, representing a year-on-year increase of 18.37%. Net cash flow from operating activities amounted to RMB4,218 million, representing a year-on-year increase of 7.10%. The total R&D expenditure amounted to RMB5,885 million for the year, representing a year-on-year increase of 18.22%. In particular, the R&D expenses amounted to RMB4,302 million, representing a year-on-year increase of RMB465 million or 12.12%.

The increase in revenue as compared with the same period last year was mainly due to the revenue contribution from new products and sub-new products, including but not limited to Han Li Kang, Han Qu You, Comirnaty, Jie Bei An, Su Ke Xin and Han Si Zhuang. The increase in net cash flow from operating activities as compared with the same period last year was mainly due to the cash flow contribution from the growth of revenue and recurring income during the Reporting Period.

During the Reporting Period, earnings per share of the Group decreased by 22.70% to RMB1.43 as compared to 2021. The decrease in earnings per share was mainly due to the decrease in profit for the year attributable to owners of the parent.

REVENUE

During the Reporting Period, the revenue of the Group amounted to RMB43,811 million, representing a year-on-year increase of 12.73%. The Group recorded revenue of RMB29,873 million in Chinese Mainland, representing a year-on-year increase of 18.24%. Revenue of an equivalent of RMB13,938 million was recorded in countries or regions other than Chinese Mainland, representing a year-on-year increase of 2.49%.

During the Reporting Period, the pharmaceutical manufacturing segment of the Group generated revenue of RMB30,693 million, representing a year-on-year increase of 6.68%. The segment results amounted to RMB3,795 million, representing a year-on-year increase of 28.04%. The segment profit amounted to RMB3,419 million (excluding the gains from changes in the fair value of the shares held of BNTX), representing a year-on-year increase of 30.00%.

COST OF SALES

During the Reporting Period, cost of sales of the Group increased to RMB23,170 million from RMB20,230 million, representing a year-on-year increase of 14.53%, mainly due to the impact of low gross profit margin businesses such as overseas sales of non-proprietary public health protection supplies, as well as the increase in the unit costs of some products as affected by factors including the increase in labor costs and the increase in the prices of raw and auxiliary materials during the Reporting Period. Cost of sales for 2021 has been adjusted based on the restated figures.

GROSS PROFIT

During the Reporting Period, gross profit of the Group amounted to RMB20,642 million, representing an increase of 10.78% as compared with RMB18,634 million for 2021. The gross profit margin of the Group for 2022 and 2021 was 47.12% and 47.95%, respectively. This year, the gross profit margin of the Group decreased by 0.83 percentage point as compared to 2021.

SELLING AND DISTRIBUTION EXPENSES

During the Reporting Period, the selling and distribution expenses of the Group amounted to RMB9,171 million and the sales expense ratio was 20.93%, representing a year-on-year decrease of 2.48 percentage points. The main reasons for the year-on-year change in the sales expense ratio were: (1) the Group continued to strengthen the control of sales expenses and achieved remarkable effects; (2) the year-on-year decrease in the sales expense ratio of centralized procurement products; and (3) the investment in market development as well as sales team for newly launched products including Han Si Zhuang during the Reporting Period.

R&D EXPENSES AND R&D EXPENDITURE

During the Reporting Period, the Group continued to enhance its R&D expenditure. The total R&D expenditure amounted to RMB5,885 million, representing a year-on-year increase of RMB907 million or 18.22%. In particular, the R&D expenses amounted to RMB4,302 million, representing a year-on-year increase of RMB465 million or 12.12%. During the Reporting Period, the R&D expenditures in the pharmaceutical manufacturing segment amounted to RMB5,097 million, representing a year-on-year increase of RMB611 million or 13.62%, accounting for 16.54% of the revenue from the pharmaceutical manufacturing segment. In particular, R&D expenses amounted to RMB3,552 million, representing a year-on-year increase of RMB193 million or 5.75%, accounting for 11.53% of the revenue from the pharmaceutical manufacturing segment, mainly due to the increase in the R&D expenditures in biopharmaceutical drugs and small molecular innovative drugs, and increase in R&D expenditures in innovation incubation platform during the Reporting Period.

SHARE OF PROFITS OF ASSOCIATES

During the Reporting Period, share of profits of associates of the Group increased to RMB2,069 million from RMB2,037 million, representing an increase of 1.57% as compared to last year.

PROFIT FOR THE YEAR

During the reporting period, due to the fluctuation of market, the net impact of fair value change and the share disposal of BNTX shares, held by the Group, amounting to approximately RMB–1 billion.

Due to the above factors, profit for the year of the Group decreased to RMB3,954 million from RMB4,976 million, representing a decrease of 20.54% as compared to last year. Net profit margin of the Group for 2022 and 2021 was 9.02% and 12.80%, respectively.

PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT

During the Reporting Period, profit for the year attributable to owners of the parent of the Group decreased to RMB3,737 million from RMB4,729 million, representing a decrease of 20.98% as compared to last year.

DEBT STRUCTURE, LIQUIDITY AND SOURCES OF FUNDS

Total Debts

As at 31 December 2022, total debts of the Group increased to RMB29,116 million from RMB24,509 million as at 31 December 2021 mainly due to new borrowings during the Reporting Period. As at 31 December 2022, mid-to-long-term debts of the Group accounted for 41.56% of its total debts, representing an increase of 4.64 percentage points as compared to 36.92% as at 31 December 2021. As at 31 December 2022, cash and bank balances rose by 57.42% to RMB16,241 million from RMB10,317 million as at 31 December 2021.

As at 31 December 2022, an equivalent amount of RMB7,875 million (31 December 2021: RMB7,382 million) out of the total debts of the Group was denominated in foreign currencies, and the remainder was denominated in RMB.

As at 31 December 2022, cash and bank balances of the Group denominated in foreign currencies amounted to RMB5,858 million (31 December 2021: RMB4,276 million).

Unit: million Currency: RMB

Cash and bank balances denominated in:	**31 December 2022**	31 December 2021 (Restated)
RMB	**10,383**	6,041
US dollars	**2,278**	1,615
Rupees	**2,472**	1,907
HK dollars	**717**	560
Others	**391**	194
Total	**16,241**	10,317

Gearing Ratio

As at 31 December 2022, the gearing ratio, calculated as total interest-bearing liabilities over total assets, was 27.18%, as compared with 26.28% as at 31 December 2021.

Interest Rate

As at 31 December 2022, total interest-bearing bank and other borrowings at a floating interest rate amounted to RMB16,899 million (31 December 2021: RMB7,968 million).

Maturity Structure of Outstanding Debts

Unit: million Currency: RMB

	31 December 2022	31 December 2021
Within 1 year	**17,016**	15,460
1 to 2 years	**3,369**	4,876
3 to 5 years	**6,464**	1,788
Over 5 years	**2,267**	2,385
Total	**29,116**	24,509

AVAILABLE FACILITIES

As at 31 December 2022, save for cash and bank balances of RMB16,241 million, the Group had unutilized banking facilities of RMB29,030 million in aggregate. The Group has also entered into cooperation agreements with various major banks (the "**Banks**") in China. According to such agreements, the Banks have granted the Group general banking facilities to support its capital requirements. The utilization of such bank facilities was subject to the approval of individual projects from the Banks in accordance with banking regulations in China. As at 31 December 2022, total available banking facilities under these arrangements were approximately RMB55,300 million in aggregate, of which RMB26,270 million had been utilized.

In April 2020, the Company obtained approval from the CSRC for the registration application on the public issuance of corporate bonds of not more than RMB5,000 million to professional investors. The approval will be effective until 31 December 2022. In July 2022 and August 2022, the Company received notices from the NAFMII for the acceptance of registration for the super short-term commercial paper of RMB6,000 million and medium-term notes of RMB4,000 million of the Company, respectively. The registered credit limit will be effective for two years commencing the date of issuance of relevant notices.

Collateral and Pledged Assets

As at 31 December 2022, the Group had placed the following assets as collateral for bank borrowings: property, plant and equipment amounting to RMB1,280 million (31 December 2021: RMB550 million) and prepaid land lease payments amounting to RMB506 million (31 December 2021: RMB514 million).

As at 31 December 2022, the Group had no trade receivables (31 December 2021: RMB69 million) and other receivables (31 December 2021: RMB8 million) which were pledged for bank borrowings.

As at 31 December 2022, the Group had no debt investments at fair value through other comprehensive income (31 December 2021: RMB8 million) which were pledged as bank acceptance draft deposits.

As at 31 December 2022, the Group had pledged the following for bank borrowings: 58.67% equity interest in a subsidiary Suzhou Abcarta Medical Technology Co., Ltd. (31 December 2021: 58.67% equity interest in a subsidiary Suzhou Abcarta Medical Technology Co., Ltd.). Details of the collateral and pledged assets are set out in note 33 to the financial statements.

Cash Flow

The cash of the Group is mainly used for meeting capital requirements, repaying interest and principal of debts due, paying for purchases and capital expenditures, and funding growth and expansion of facilities and businesses of the Group. The table below shows the cash flow of the Group generated from (or used in) operating activities, investing activities and financing activities for 2022 and 2021.

Unit: million Currency: RMB

	31 December 2022	31 December 2021 (Restated)
Net cash flows from operating activities	**4,218**	3,938
Net cash flows used in investing activities	**(4,064)**	(3,857)
Net cash flows from/(used in) financing activities	**4,428**	(819)
Net increase/(decrease) in cash and cash equivalents	**4,582**	(739)
Cash and cash equivalents at the beginning of the year	**6,460**	7,334
Cash and cash equivalents at the end of the year	**11,170**	6,460

Note: For the analysis on reasons for the changes in cash flows, please refer to "5. Cash Flows" of "IV. Major Operations in the Reporting Period" under "BUSINESS REVIEW".

Capital Commitments and Capital Expenditures

During the Reporting Period, capital expenditures of the Group amounted to RMB5,800 million, which mainly consisted of additions to property, plant and equipment, other intangible assets and prepaid land lease payments included in right-of-use assets exclusive of amounts due to new acquisition of subsidiaries. Details of capital expenditures are set out in note 4 to the financial statements.

As at 31 December 2022, the Group had capital commitments contracted but not provided for amounting to RMB1,719 million and capital commitments authorized but not signed for amounting to RMB2,343 million. These were mainly committed for reconstruction and renewal of plant and machinery as well as new investees. Details of capital commitments are set out in note 45 to the financial statements.

Contingent Liabilities

As at 31 December 2022, the Group did not have any contingent liabilities.

Interest Coverage

In 2022, the interest coverage, which is calculated by EBITDA divided by financial cost was 7.94 times as compared with 10.41 times for 2021. The decrease of the interest coverage was mainly due to the EBITDA of the Group in 2022 which was RMB8,041 million, decreased by 8.77% as compared with that in 2021 which was RMB8,814 million, and financial cost of the Group in 2022 amounting to RMB964 million, increased by 17.13% as compared with that in 2021 which was RMB823 million. Considering the significant fluctuation of the stock price of BNTX held by the Group, after excluding this impact, the EBITDA interest coverage increased by 7.08% compared with previous year.

RISK MANAGEMENT

Foreign Currency Exposure

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies.

Interest Rate Exposure

It is the Group's strategy to use debts with fixed and floating interest rates to manage its interest costs. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

BUSINESS REVIEW

The Group directly operates businesses including pharmaceutical manufacturing, medical devices, medical diagnosis and healthcare services. The Group also expands its presence in pharmaceutical commerce through its investment in Sinopharm.

Pharmaceutical manufacturing segment is the core business of the Group, accounting for approximately 70% of the Group's total revenue during the Reporting Period. It consists of three businesses: the innovative medicines business, the established medicines manufacturing & supply business and the vaccines business. With a focus on core therapeutic areas such as oncology (solid tumors and hematological tumors), immunology, central nervous system, chronic disease (liver disease/metabolic disease/ kidney disease), the innovative medicines business aims at strengthening core technology platforms such as small molecule, antibody/ADC, cell therapy and RNA, creating an open and globalized innovative R&D system, continuously enhancing the pipeline value, and facilitating the R&D and commercialization of more first-in-class (FIC) and best-in-class (BIC) products. The established medicines manufacturing & supply business has focused on the R&D of differentiated products with high technology barriers, and increased the proportion of first/first three generic drugs. At the same time, the cost reduction and efficiency enhancement of key products has been internally optimized to promote the achievement of integrated development. The vaccines business has established an independent R&D system centered on two technology platforms of bacterial vaccines and viral vaccines, and further broadened the pipeline of vaccine products through cooperative R&D to enhance the industrialization capacity of vaccines. The medical devices segment has formed three major business divisions, namely, medical cosmetology, respiratory health and professional medical care as its core. The medical diagnosis segment's business layout includes molecular diagnosis, immunodiagnosis, biochemical diagnosis, microbial diagnosis and POCT. The healthcare services segment has built a medical services platform that connects general and specialty hospitals and integrates online and offline scenarios, providing one-stop health management services.

THE BOARD'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD

By virtue of the revenue contribution from new products and sub-new products, as well as the effective control over marketing expenses, the Group's revenue and recurring income continued to grow steadily during the Reporting Period, realizing a revenue of RMB43,811 million, representing a year-on-year increase of 12.73%. The revenue from new products and sub-new products, including Han Li Kang, Han Qu You, Comirnaty, Jie Bei An, Su Ke Xin and Han Si Zhuang, accounted for over 30% of the revenue from the pharmaceutical manufacturing segment. The revenue structure continued to be optimized. Net profit after deducting extraordinary gain or loss attributable to shareholders of the listed company amounted to RMB3,879 million, representing a year-on-year increase of 18.37%. Net cash flow from operating activities amounted to RMB4,218 million, representing a year-on-year increase of 7.1%. During the Reporting Period, the recorded extraordinary gain or loss amounted to RMB–142 million, representing a year-on-year decrease of RMB1,593 million, which was mainly due to the changes in fair value of financial assets, such as the BNTX shares, held by the Group, among which, the net impact of fair value change and the share disposal of BNTX shares during the year amounting to approximately RMB–1 billion. Due to the year-on-year decrease in extraordinary gain or loss, the Group's net profit attributable to shareholders of the listed company amounted to RMB3,737 million during the Reporting Period, representing a year-on-year decrease of 20.98%.

During the Reporting Period, the Group continued to increase its R&D expenditures, which amounted to RMB5,885 million for the year, representing a year-on-year increase of 18.22%, among which the R&D expenses amounted to RMB4,302 million, representing a year-on-year increase of RMB465 million or 12.12%.

During the Reporting Period, the revenue structure was as follows:

Unit: million Currency: RMB

	2022 revenue		2021 revenue		Year-on-year increase/ decrease of revenue (%)
	Amount	**Percentage of revenue (%)**	Amount	Percentage of revenue (%)	
By business segment					
Pharmaceutical manufacturing	**30,693**	**70.06**	28,772	74.03	6.68
Medical devices and medical diagnosis	**6,933**	**15.82**	5,927	15.25	16.97
Healthcare services	**6,076**	**13.87**	4,115	10.59	47.65
By geographical locations					
Chinese mainland	**29,873**	**68.19**	25,265	65.01	18.24
Regions outside Chinese mainland and other countries	**13,938**	**31.81**	13,599	34.99	2.49

I. Main Operational Progress of the Group during the Reporting Period

1. Continued to promote the development and launch of innovative products

During the Reporting Period, 6 self-developed innovative drugs (indications), 4 license-in innovative drugs (indications) and 27 generic drugs (indications) of the Group were approved for launch in Chinese mainland/Hong Kong/U.S. 7 innovative drugs (indications) and 30 generic drugs (indications) had applied for launch (NDA) in Chinese mainland. 22 innovative drugs (indications) were approved for clinical trials (IND) in Chinese mainland.

As at the date of this report, a number of the Group's innovative products/indications have been approved for launch: Han Si Zhuang (serplulimab injection), the first self-developed biopharmaceutical innovative drug of the Group, has been successively approved for three indications, i.e. microsatellite instability-high (MSI-H) solid tumors, squamous non-small cell lung cancer (sqNSCLC) and extensive-stage small cell lung cancer (ES-SCLC). Comirnaty BNT162b2 and Comirnaty Bivalent Vaccine have been officially registered in Hong Kong and approved as a regular imported vaccine in Macau, while the related dosage forms for children and infants have been granted emergency use authorization (EUA) for the government vaccination programs in Hong Kong and Macau, respectively. The innovative indication Rheumatoid Arthritis (RA) of Han Li Kang (rituximab injection) has been approved for launch and included in the National Medical Insurance Drug Catalogue. The Azvudine tablets jointly developed by the Group and Genuine Biotech obtained the emergency conditional approval from the NMPA in July 2022 for use in treatment of adult patients suffering moderate COVID-19. Keverprazan Hydrochloride tablets (trade name: Bei Wen (倍穩)), the first potassium ion competitive acid blocker (P-CAB) independently developed in China, jointly developed by the Group and Carephar, and exclusively commercialized by the Group, was approved for launch in Chinese mainland in February 2023 for the treatment of duodenal ulcer (DU) and reflux esophagitis (RE). Han Qu You (trastuzumab injection), independently developed by the Group and licensed to Cipla, has been approved for launch in Australia, and its approved indications cover all approved indications of the branded drug in that country.

As at the date of this report, a number of products independently developed, co-developed and licensed-in by the Group have successively entered the critical clinical/approval stage: Han Si Zhuang (serplulimab injection) for the treatment of small cell lung cancer (SCLC) was successively granted Orphan Drug Designation by the U.S. FDA and the European Commission (EC) in 2022, and a head-to-head bridging trial comparing to first-line standard of care with Atezolizumab for extensive-stage small cell lung cancer (ES-SCLC) has been initiated in the United States. The third indication of Yi Kai Da (ejilunsai injection) (for the treatment of adult patients with large B-cell lymphoma (r/r LBCL) that is refractory to first-line immunochemotherapy or that relapses within 12 months of first-line immunochemotherapy), for which the NDA in Chinese mainland was accepted in October 2022, and has been included in the list of priority review products. The phase III clinical study of 13-valent pneumococcal conjugate vaccine (multivalent combinations) has been initiated in Chinese mainland.

For details of the R&D and launch of the Group's major innovative drugs (indications) during the Reporting Period, please refer to Table 1 to Table 3.

Table 1 — Innovative drugs (indications) approved for launch during the Reporting Period

No.	Name of drugs	Classification of registration	Indications
1	Han Si Zhuang (serplulimab injection) *(Note 1)*	Therapeutic biological product	Microsatellite instability-high (MSI-H) solid tumor *(Note 2)*
2			Squamous non-small cell lung cancer (sqNSCLC)
3	Han Li Kang (rituximab injection)	Therapeutic biological product	Rheumatoid Arthritis (RA)
4	Han Bei Tai (bevacizumab injection)	Therapeutic biological product	Recurrent glioblastoma
5			Cervical cancer
6			Epithelial ovarian cancer, fallopian tube cancer or primary peritoneal cancer
7	Jie Bei An (Azvudine tablets)	Chemical drug	Moderate COVID-19 *(Note 2)*
8	Comirnaty BNT162b2 (mRNA COVID-19 vaccine BNT162b2)	*(Note 3)*	Prevention of disease (COVID-19) caused by novel coronavirus (SARS-CoV-2) infection
9	Comirnaty Bivalent Vaccine (mRNA COVID-19 Original/ Omicron BA.4/BA.5-adapted bivalent vaccine)	*(Note 3)*	Prevention of disease (COVID-19) caused by novel coronavirus (SARS-CoV-2) infection
10	Pretomanid tablets	*(Note 3)*	Extensively drug-resistant (XDR) or multidrug-resistant tuberculosis (MDR-TB) with treatment intolerance/low efficacy of treatment

Note 1: In January 2023, the NDA for Han Si Zhuang (serplulimab injection) in combination with chemotherapy (carboplatin and etoposide) for the first-line treatment of extensive-stage small cell lung cancer (ES-SCLC) was approved by the NMPA.

Note 2: Approved for conditional marketing.

Note 3: Comirnaty BNT162b2 and Comirnaty Bivalent Vaccine have been officially registered as drugs/products in Hong Kong, and approved as regular imported vaccines in Macau. Pretomanid tablet has been officially registered as a drug/product in Hong Kong.

Note 4: Jie Bei An (Azvudine tablets), Comirnaty BNT162b2, Comirnaty Bivalent Vaccine and Pretomanid tablets are innovative drugs (vaccine) licensed-in by the Group.

Table 2 — Innovative drugs (indications) applied for launch during the Reporting Period

No.	Name of drugs	Classification of registration	Indications
1	Han Si Zhuang (serplulimab injection)	Therapeutic biological product	In combination with chemotherapy (carboplatin and etoposide) for the first-line treatment of extensive-stage small cell lung cancer (ES-SCLC)
2			In combination with chemotherapy (cisplatin and fluorouracil) for the first-line treatment of locally advanced/recurrent or metastatic esophageal squamous cell carcinoma (ESCC)
3	Yi Kai Da (ejilunsai injection) *(Note)*	Therapeutic biological product	Large B-cell lymphoma (r/r LBCL) that is refractory to first-line immunochemotherapy or that relapses within 12 months of first-line immunochemotherapy in adults
4	Han Bei Tai (bevacizumab injection)	Therapeutic biological product	Recurrent glioblastoma
5			Cervical cancer
6			Epithelial ovarian cancer, fallopian tube cancer or primary peritoneal cancer
7	Su Ke Xin (avatrombopag maleate tablets)	Chemical drug	Chronic immune thrombocytopenia (ITP)

Note: Product of Fosun Kite, a joint venture.

Table 3 — Innovative drugs (indications) obtained clinical approvals during the Reporting Period

No.	Name of drugs	Classification of registration	Indications
1	FCN-159	Chemical drug	Histiocytic tumors
2		Chemical drug	Arteriovenous malformations
3	ORIN1001	Chemical drug	Idiopathic pulmonary fibrosis (IPF)
4	Pretomanid tablets	Chemical drug	Extensively drug-resistant (XDR) or multidrug-resistant tuberculosis (MDR-TB) with treatment intolerance/low efficacy of treatment
5	HLX208	Chemical drug	Solid tumor
6	HLX208 (BRAF V600E inhibitor) + Han Si Zhuang (serplulimab injection)	Chemical drug and therapeutic biological product	BRAF V600E or BRAF V600 mutation-positive advanced solid tumor
7	FS-1502 (recombinant HER2 humanized monoclonal antibody-monomethyl auristatin F conjugate for injection) in combination with serplulimab and/or chemotherapy	Therapeutic biological product	HER2-expressing advanced gastric cancer
8	Yi Kai Da (ejilunsai injection) *(Note 1)*	Therapeutic biological product	Large B-cell lymphoma (r/r LBCL) that is refractory to first-line immunochemotherapy or that relapses within 12 months of first-line immunochemotherapy in adults
9	FKC889 *(Note 1)*	Therapeutic biological product	Mantle cell lymphoma (r/r MCL)
10			Relapsed or refractory adult precursor B-cell acute lymphoblastic leukaemia (adult r/r ALL)
11	Han Si Zhuang (serplulimab injection)	Therapeutic biological product	In combination with chemotherapy and concurrent radiotherapy for the treatment of limited-stage small cell lung cancer (LS-SCLC)
12	Han Si Zhuang (serplulimab injection) + HLX07 (recombinant humanized anti-EGFR monoclonal antibody injection) + Han Bei Tai (bevacizumab injection)	Therapeutic biological product	Hepatocellular carcinoma (HCC)
13	HLX35 (recombinant humanized anti-EGFR and anti-4-1BB bispecific antibody injection)	Therapeutic biological product	Solid tumor
14	HLX53 (anti-TIGIT Fc fusion protein)	Therapeutic biological product	Solid tumor and lymphoma
15	HLX301 (recombinant anti-PD-L1 and anti-TIGIT bispecific antibody injection)	Therapeutic biological product	Advanced tumor
16	HLX26 (recombinant anti-LAG-3 humanized monoclonal antibody injection) + Han Si Zhuang (serplulimab injection)	Therapeutic biological product	Solid tumor and lymphoma
17	HLX60 (recombinant humanized anti-GARP monoclonal antibody injection)	Therapeutic biological product	Solid tumor and lymphoma
18	HLX22 (anti-human epidermal factor receptor-2 (HER2) humanized monoclonal antibody injection) + Han Si Zhuang (serplulimab injection) + standard therapy (trastuzumab in combination with chemotherapy)	Therapeutic biological product	Gastric cancer (GC)
19	SVN53-67/M57-KLH peptide vaccine (SurVaxM)	Therapeutic biological product	Primary diagnosis of glioblastoma
20	GC101	Therapeutic biological product	Recessive dystrophic epidermolysis bullosa (RDEB)
21	HLX60 (recombinant humanized anti-GARP monoclonal antibody injection) + Han Si Zhuang (serplulimab injection)	*(Note 2)*	Advanced/metastatic solid tumor
22	HLX07 (recombinant anti-EGFR humanized monoclonal antibody injection)	US 505(b) *(Note 3)*	Locally advanced or metastatic cutaneous squamous cell carcinoma (CSCC)

Note 1: Product of Fosun Kite, a joint venture.

Note 2: Approved for clinical trial in Australia.

Note 3: According to the US registration classification, 505(b) represents innovative drugs.

2. Continued to enhance global operation/commercialization capabilities

During the Reporting Period, the Group initiated the preparatory work for the commercialization of Han Si Zhuang (serplulimab injection) in the United States, established its own U.S. innovative drug team covering medical affairs, market access, sales and other functions, and reached an in-depth cooperation with Syneos Health to provide comprehensive support for the commercialization of Han Si Zhuang in the United States. Sisram Medical and Breas continued to enhance their global channel capabilities. Sisram Medical added direct sales team in the United Kingdom and Dubai and strengthened its operational capabilities in Chinese mainland, where LMNT, a home energy source medical beauty product, was launched to start the To C business, with its direct sales revenue increased to 66% of its total revenue in 2022. Breas accelerated its pace to build direct sales teams in China and the United States, and obtained a production license for the localized version of the To C product Z1 ventilator, which would be mass-produced in Hainan.

Relying on years of industrial experience, extensive investment in innovative R&D and global channel network construction, the Group has the industry-leading global two-way licensing capability to maximize the value of self-developed products and collaborative innovative products. During the Reporting Period, the Group and Amgen's subsidiary entered into license agreements regarding the exclusive commercialization of its 2 innovative drugs, namely Otezla (apemilast tablets) and Parsabiv (etelcalcetide), in Chinese mainland (excluding Hong Kong, Macau and Taiwan, China). The Group reached collaborations on a number of overseas innovative products such as the immune inhibitor Grafalon (anti-human T lymphocyte rabbit immunoglobulin injection) and a bifunctional HER2-sialidase fusion protein. Shanghai Henlius, a subsidiary, successively granted various product licenses to Organon, Eurofarma, Abbott, Getz Pharma and other companies, in order to cover incremental markets with the help of leading international partners. In addition, Gland Pharma, a subsidiary, proposed to acquire Cenexi, a European CDMO company, with a maximum total amount payable of up to EUR210 million, so as to strategically establish its CDMO business presence in the European market and build up local manufacturing capabilities in Europe.

3. Continued to promote strategic upgrading and internal integration

During the Reporting Period, the Group further sorted its internal business and promoted the improvement of operational efficiency.

At the beginning of 2022, the pharmaceutical manufacturing segment was upgraded and divided into the innovative medicines division, established medicines manufacturing & supply division and vaccines division to strengthen the business focus on sublines. During the Reporting Period, the innovative medicines division relied on the global R&D center to coordinate and manage the innovative drug R&D team and innovation product pipeline, integrated internal and external R&D resources and talents, improved talent team construction, continued to enhance the early R&D and CMC R&D capabilities, optimized pipeline management with dynamic adjustments, continued to optimize and improve the R&D efficiency, and accelerated clinical advancement and product launch progress. The established medicines manufacturing & supply division continued to build regional production centers to gather production capacity and achieve the integration of APIs and preparations, further improved production and operation efficiency, and expanded production cost advantages. Meanwhile, it coordinated the R&D of generic drugs within the system at the division level with a focus on the R&D of first generic drugs, first three generic drugs, and difficult and complex preparations. The vaccines division fully integrated the technology platforms of bacterial vaccines and viral vaccines, and combining the strengths and complementary points of both platforms to improve the overall operational efficiency in terms of R&D team integration, sales channels, production base coordination and other aspects.

During the Reporting Period, the Group's healthcare services segment actively explored the online and offline integrated service model, connecting online and offline services both inside and outside the hospital to provide users with a one-stop healthcare service based on medical-level trust and a full-cycle closed-loop solution.

4. Digitally empowered business continued to grow

During the Reporting Period, the Group continued to optimize its digital technologies and means, focusing on building a digital business middle-end platform, management middle-end platform and data middle-end platform. In terms of the digital business middle-end platform, the Group promoted the digitalization of drug R&D, iteratively developed the full life cycle management platform of INNOX R&D projects, established a digital system for the whole R&D process and an R&D data analysis platform, and innovated and explored AI technology to empower R&D business applications, thereby improving R&D management efficiency. The Group deepened intelligent manufacturing, set intelligent manufacturing standards through top-level design and established a super digital factory. The development of the supply chain system was improved, and a supply chain management and traceability system was established, thus realizing intelligent decision-making from sales forecasting to production planning. A unified management platform for digital and intelligent marketing was built to achieve precise online marketing. In terms of the digital management middle-end platform, the Group improved the human resources management system and built an eHR platform for digital human resources management. The Group facilitated the integration of business and finance, developed an integrated platform for enterprise digital management system, and facilitated the launch of system by several domestic and overseas subsidiaries. In terms of the digital data middle-end platform, the Group established a group database, connected human resources, finance, quality, operations, procurement, EHS and other data to the data platform for modeling and prepared visual analysis reports to provide guidance on corporate budget management and empower business growth strategies.

II. Segment Performance Overview

1. Pharmaceutical manufacturing

Performance summary

During the Reporting Period, the pharmaceutical manufacturing segment of the Group generated revenue of RMB30,693 million, representing a year-on-year increase of 6.68%, of which: 1) new products and sub-new products maintained rapid growth, representing a year-on-year increase of over 20%; the revenue of new products and sub-new products accounted for more than 30% of the revenue of the pharmaceutical manufacturing segment, mainly due to the revenue contribution from newly launched products, Han Si Zhuang and Jie Bei An, and the growth contribution of the sub-new products, Han Qu You and Su Ke Xin; 2) the year-on-year decrease of 6% in revenue of Gland Pharma (based on the financial statements of Gland Pharma in its reporting currency) was due to factors including the suspension of production for upgrading two insulin production lines, and the capacity of production and the capacity to undertake orders being affected by the supply shortage of injection packaging materials; 3) the sales volume of Comirnaty (mRNA COVID-19 vaccine) decreased year-on-year by 30%. Due to the increase in the proportion of revenue from new products and sub-new products and the optimization of product structure, the gross profit margin of the pharmaceutical manufacturing segment increased year-on-year, and the sales expense ratio decreased year-on- year, the segment results amounted to RMB3,795 million, representing a year-on-year increase of 28.04%. The segment profit amounted to RMB3,419 million, representing a year-on-year increase of 30% (excluding the gain or loss from the sales of BNTX shares held).

During the Reporting Period, the R&D expenditures in the pharmaceutical manufacturing segment of the Group amounted to RMB5,097 million, representing a year-on-year increase of 13.62%. Total R&D expenditures in the pharmaceutical manufacturing segment accounted for 16.54% of the revenue from the pharmaceutical manufacturing segment. In particular, R&D expenses amounted to RMB3,552 million, accounting for 11.53% of the revenue from the pharmaceutical manufacturing segment.

Revenue from major products in the major therapeutic areas of the Group's pharmaceutical manufacturing segment during the Reporting Period is set out in the following table:

Unit: million Currency: RMB

Major therapeutic area	**2022**	2021	Year-on-year increase on the same basis (%)
Major products of anti-tumor and immune modulation *(Notes 1, 7)*	5,522	3,960	39.44
Major products of metabolism and alimentary system *(Notes 2, 7)*	2,883	2,890	(0.24)
Major products of anti-infection *(Notes 3, 7)*	8,582	8,621	(0.45)
Major products of central nervous system *(Notes 4, 7)*	1,003	1,137	(11.79)
Major products of cardiovascular system *(Notes 5, 7)*	2,115	1,993	6.12
Major products of APIs and intermediate products *(Notes 6, 7)*	1,248	1,135	9.96

Note 1: The revenue from major products of anti-tumor and immune modulation recorded a year-on-year increase of 39.44%, mainly due to the sales growth of Han Qu You (trastuzumab injection), Su Ke Xin (avatrombopag maleate tablets) and Han Da Yuan (adalimumab injection), and the revenue contribution from the new products Han Si Zhuang (serplulimab injection) and Akynzeo (netupitant and palonosetron hydrochloride capsules).

Note 2: The revenue from major products of metabolism and alimentary system recorded a year-on-year decrease of 0.24%, mainly due to the impact of the execution of centralized procurement for Fan Ke Jia (thioctic acid injection) and Atomolan injection (glutathione for injection).

Note 3: The revenue from major products of anti-infection recorded a year-on-year decrease of 0.45%, mainly due to the combined effect of the decrease in the sales volume of Comirnaty (mRNA COVID-19 vaccine) and Micafungin, the revenue contribution from new products Jie Bei An (Azvudine tablets), Cravit (levofloxacin tablets and levofloxacin injection).

Note 4: The revenue from major products of central nervous system recorded a year-on-year decrease of 11.79%, mainly due to the decline in sales volume of Ao De Jin (deproteinised calf blood serum injection).

Note 5: The revenue from major products of cardiovascular system recorded a year-on-year increase of 6.12%, mainly due to the increase in the sales volume of heparin series preparations.

Note 6: The revenue from major products of APIs and intermediate products recorded a year-on-year increase of 9.96%, mainly due to the increase in the sales volume of amino acid series.

Note 7: Major products of anti-tumor and immune modulation comprise: Han Qu You (trastuzumab injection), Han Li Kang (rituximab injection), Su Ke Xin (avatrombopag maleate tablets), Han Si Zhuang (serplulimab injection), Ke Sheng (xihuang capsules), Han Da Yuan (adalimumab injection), Kai Lai Zhi (epinastine hydrochloride capsules), Zhao Hui Xian (bicalutamide), Yi Luo Ze/Tu Mei Si (pemetrexed disodium for injection), Akynzeo (netupitant and palonosetron hydrochloride capsules), Di Kai Mei (sorafenib tosylate tablets), ondansetron, paclitaxel and oxaliplatin.

Major products of metabolism and alimentary system comprise: You Li Tong (febuxostat tablets), Atomolan tablets (glutathione tablets), animal insulin and its preparations, Bei Yi (potassium chloride granules), Ke Yi (new compound aloe capsules), Atomolan injection (glutathione for injection), Yi Bao (recombinant human erythropoietin for injection (CHO cells)), Li Qing (alfacalcidol tablets), Wan Su Ping (glimepiride tablets), Wan Su Jing (empagliflozin tablets), Fan Ke Jia (thioctic acid injection) and human insulin and its preparations.

Major products of anti-infection comprise: Comirnaty (mRNA COVID-19 vaccine), Jie Bei An (Azvudine tablets), antimalarial series such as artesunate, rabies vaccine (VERO cell) for human use (non-freeze dried), Xi Chang/Bi Li Shu (cefmetazole sodium for injection), Sha Duo Li Ka (potassium sodium dehydroandrographolide succinate for injection), antituberculosis series, Pai Shu Xi Lin (piperacillin sodium and tazobactam sodium for injection), Mei Shi Ling (cefminox sodium for injection), daptomycin, Qiang Shu Xi Lin/Qin Shu/Er Ye Qin (piperacillin sodium and sulbactam sodium for injection), caspofungin, He Pu Ding (lamivudine tablets), Cravit (levofloxacin tablets and levofloxacin injection), Micafungin, vancomycin, Er Ye Bi (ceftizoxime sodium for injection), Si Ke Ni (azithromycin capsules), Ka Di (flucloxacillin sodium for injection) and Rui Sai Ni (clindamycin hydrochloride capsules).

Major products of central nervous system comprise: Qi Wei (quetiapine fumarate tablets), Qi Cheng (escitalopram oxalate tablets), Chang Tuo Ning (penehyclidine hydrochloride injection), Ao De Jin (deproteinised calf blood serum injection) and lorazepam tablets.

Major products of cardiovascular system comprise: heparin series preparations, Bang Tan (telmisartan tablets), Bang Zhi (pitavastatin calcium tablets), Ya Ni An (amlodipine besilate tablets), Ke Yuan (calcium dobesilate capsules), You Di Er (alprostadil dried emulsion for injection), Xin Xian An (meglumine adenosine cyclophosphate for injection) and Su Ka Xin (indapamide tablets).

Major products of APIs and intermediate products comprise: amino acid series, tranexamic acid, levamisole hydrochloride and clindamycin hydrochloride.

* The data of 2021 was restated according to the basis of 2022.

In 2022, there were 47 products or series of products in the pharmaceutical manufacturing segment of the Group that each recorded sales of over RMB100 million, a net increase of 3 items compared to 2021, and details are as follows:

Currency: RMB

Sales during the Reporting Period	Number	Formulation items or series
Over 1 billion	5	Comirnaty (mRNA COVID-19 vaccine) Han Qu You (trastuzumab injection) Han Li Kang (rituximab injection) Jie Bei An (Azvudine tablets) heparin series preparations
500 million to 1 billion	3	Su Ke Xin (avatrombopag maleate tablets) antimalarial series such as artesunate You Li Tong (febuxostat tablets)
300 million to 500 million	8	8 products including Han Si Zhuang (serplulimab injection), Atomolan (glutathione tablets), rabies vaccine (VERO cell) for human use (non-freeze dried), Qi Wei (quetiapine fumarate tablets), Ke Yi (new compound aloe capsules)
100 million to 300 million	31	31 products including Han Da Yuan (adalimumab injection), Qi Cheng (escitalopram oxalate tablets), Li Qing (alfacalcidol tablets), Bang Zhi (pitavastatin calcium tablets)

Important events

- *PD-1 inhibitor Han Si Zhuang (serplulimab injection)*

  As at the date of this report, the innovative PD-1 inhibitor Han Si Zhuang (serplulimab injection) independently developed by the Group had been successively approved for three indications, i.e. microsatellite instability-high (MSI-H) solid tumors, squamous non-small cell lung cancer (sqNSCLC) and extensive-stage small cell lung cancer (ES-SCLC). In particular, the approval for the indication of extensive-stage small cell lung cancer (ES-SCLC) indicated that Han Si Zhuang has become the world's first monoclonal antibody drug targeting PD-1 approved for the first-line treatment of extensive-stage small cell lung cancer (ES-SCLC), and its marketing authorization application (MAA) in the EU has also been accepted. The NDA for the fourth indication (esophageal squamous cell carcinoma (ESCC)) in Chinese mainland has been accepted.

  Based on the differentiated development strategy of "Combo+Global" (combination therapy + globalization), Han Si Zhuang has been approved for clinical trials in China, the U.S., the EU and other countries and regions. As at the date of this report, 11 combination therapies centered on Han Si Zhuang are undergoing clinical trials around the world, covering a wide range of indications such as lung cancer, esophageal cancer, head and neck squamous cell carcinoma and gastric cancer. In particular, international multi-center clinical trials for the three indications of squamous non-small cell lung cancer (sqNSCLC), extensive-stage small cell lung cancer (ES-SCLC) and limited-stage small cell lung cancer (LS-SCLC) have been carried out, and a head-to-head bridging trial comparing to first-line standard of care with Atezolizumab for extensive-stage small cell lung cancer (ES-SCLC) has been initiated in the United States. The first patient dosing in the phase III of the international multi-center clinical study of limited-stage small cell lung cancer (LS-SCLC) has also been completed in Chinese mainland and the United States, and clinical approvals have been obtained in Australia and Spain. In addition, Han Si Zhuang for the treatment of small cell lung cancer (SCLC) was successively granted Orphan Drug Designation by the U.S. FDA and the European Commission (EC) in 2022.

  With the successive approval for various indications of Han Si Zhuang in China and the smooth progress of overseas clinical trials, the Group will continue to promote the global commercialization of this product and enhancing the accessibility of the drug. As at the end of 2022, Han Si Zhuang had completed online bidding in 27 provinces across Chinese mainland. It was included in the customized commercial insurance catalogue in five cities, including Ningbo and Jinhua and benefitted more than 10,000 Chinese patients. In terms of overseas commercialization, the Group reached collaboration with KG Bio in 2019, granting it the exclusive right to develop and commercialize the first monotherapy and two combination therapies of Han Si Zhuang in ten countries in Southeast Asia. In addition, the Group has initiated the preparatory work for the commercialization of Han Si Zhuang in the market of the United States, established its own U.S. innovative drug team covering medical affairs, market access, sales and other functions, and reached an in-depth cooperation with Syneos Health to provide comprehensive support for the commercialization of Han Si Zhuang in the United States.

- *CAR-T cell therapy products*
  Yi Kai Da (ejilunsai injection), the product of the joint venture Fosun Kite is authorized to carry out the product's localized production in China following the technology transfer of Yescarta, a CAR-T cell therapy product, from Kite Pharma. It is the first CAR-T cell therapy product approved for domestic launch for the treatment of adult patients with relapsed or refractory large B-cell lymphoma (r/r DLBCL) after prior second-line or higher systemic therapy. As at the end of 2022, Yi Kai Da has been included in the urban customized commercial health insurance of 70 provinces and municipalities and over 60 commercial insurances, while the number of treatment centers on record exceeded 130. As at the end of January 2023, nearly 300 patients with relapsed or refractory large B-cell lymphoma had been treated with Yi Kai Da.

  The second indication of Yi Kai Da (for the treatment of adult patients with relapsed or refractory inert non-Hodgkin's lymphoma (r/r iNHL) containing follicular lymphoma and marginal zone lymphoma) received approval for clinical trials in Chinese mainland and was also included in the breakthrough therapy drug program in 2021. As at the end of the Reporting Period, the indication was undergoing a bridging clinical trial in Chinese mainland. The NDA for Yi Kai Da's third indication (for the treatment of adult patients with large B-cell lymphoma (r/r LBCL) that is refractory to first-line immunochemotherapy or that relapses within 12 months of first-line immunochemotherapy) has been reviewed and accepted by the NMPA, and has been included in the list of priority review products. In April 2022, Yescarta received approval for launch from the U.S. FDA for the abovementioned indication, becoming the first CAR-T drug in the world to receive U.S. FDA approval as a second-line therapy for B-cell lymphoma (LBCL).

  As for Fosun Kite's second CAR-T cell therapy product FKC889, its first indication (for the treatment of adult patients with relapsed or refractory mantle cell lymphoma (r/r MCL) after prior second-line or higher systemic therapy) and second indication (relapsed or refractory adult precursor B-cell acute lymphoblastic leukaemia (adult r/r ALL)) received approval for clinical trials in Chinese mainland in March 2022 and December 2022, respectively. As at the date of this report, the first indication is undergoing a bridging clinical trial in Chinese mainland.

- *Progress of products for the prevention, testing and treatment of COVID-19*
  During the Reporting Period, the Group continued to promote the vaccination and coverage of Comirnaty (mRNA COVID-19 vaccine) in Hong Kong, Macau and Taiwan, China. As at the date of this report, Comirnaty BNT162b2 (i.e. mRNA COVID-19 vaccine BNT162b2) and Comirnaty Bivalent Vaccine (i.e. mRNA COVID-19 Original/Omicron BA.4/BA.5-adapted bivalent vaccine) have been officially registered as drugs/products in Hong Kong and approved as regular imported vaccines in Macau, fully covering the public and private markets. The related dosage forms for children (for vaccination of children aged 5 to 11) and infants (for vaccination of infants of 6 months to 4 years old) have been authorized for emergency use (EUA) for the government vaccination programs in Hong Kong and Macau, respectively. Comirnaty Bivalent Vaccine has been approved for emergency use in Taiwan, China, while the Comirnaty BNT162b2 dosage forms for children and infants have also been successively approved for vaccination in Taiwan, China. During the Reporting Period, over 15 million doses of Comirnaty (mRNA COVID-19 vaccine) were sold in Hong Kong, Macau and Taiwan, China. Since its launch to the end of February 2023, more than 31 million doses had been administered in Hong Kong, Macau and Taiwan, China.

In July 2022, the Group entered into a strategic cooperation with Genuine Biotech to jointly develop Azvudine, which will be exclusively commercialized by the Group. The scope of cooperation includes the treatment and prevention of COVID-19 and AIDS. In July 2022, Azivudine tablets obtained the emergency conditional approval from the NMPA for use in treatment of adult patients suffering moderate COVID-19, after then the drug was successively included in the ninth and tenth editions of the Diagnosis and Treatment Guideline for COVID-19《新型冠狀病毒肺炎診療方案》), included in temporary payment scope of medical insurance in August 2022, and officially included in the 2022 National Medical Insurance Drug Catalogue in January 2023. As at the date of this report, Azvudine tablets have been included in procurement platform of medical insurance system in 31 provinces, autonomous regions and municipalities across China, and covered nearly 50,000 medical institutions across the country.

- *Other license-in and license-out projects*
  Relying on an open R&D ecology, a forward-looking international deployment, a rich global network of channels, and the industrial capability accumulated in the domestic pharmaceutical industry for years, the Group has formed a world-leading two-way licensing capability to reach more emerging fields, leading technologies and regional market with agility and efficiency.

  During the Reporting Period, the Group and Amgen formed collaboration on the exclusive licensing to commercialize two innovative drugs, namely Otezla (apremilast tablets) and Parsabiv (etelcalcetide), in Chinese mainland (excluding Hong Kong, Macau and Taiwan, China), further enriching its innovative product portfolio in the non-oncology field. In particular, Otezla (apremilast tablets) was approved for launch by the NMPA in August 2021. It is the world's first and the only domestically approved orally-administered phosphodiesterase-4 (PDE4) inhibitor for the treatment of plaque psoriasis, and was included in the National Medical Insurance Drug Catalogue in January 2023. In addition, during the Reporting Period, the Group also reached collaborations on a number of innovative products such as Keverprazan Hydrochloride tablets and a bifunctional HER2-sialidase fusion protein. Keverprazan Hydrochloride tablets (trade name: Bei Wen (倍穩)) was approved for launch in Chinese mainland in February 2023 for the treatment of duodenal ulcer (DU) and reflux esophagitis (RE).

  While improving product layout, the Group has also been actively seeking cooperation with leading global pharmaceutical companies to promote our self-develop products to cover incremental markets, thereby achieving value maximization. During the Reporting Period, Shanghai Henlius, a subsidiary, entered into products license agreements with a number of global partners. In February 2022, Shanghai Henlius granted Getz Pharma the exclusive commercialization rights to commercialize Han Da Yuan (adalimumab injection) in 11 emerging markets in Asia, Africa and Europe. In May 2022, Shanghai Henlius granted a license to Eurofarma, a leading local pharmaceutical company in Brazil, allowing it to, among others, commercialize three products, namely Han Li Kang (rituximab injection), Han Qu You (trastuzumab injection) and Han Bei Tai (bevacizumab injection), in 16 Latin American countries, and actively expanding the market of Latin America. In June 2022, Shanghai Henlius granted Organon a license to exclusively commercialize pertuzumab biosimilar HLX11 (recombinant anti-HER2 domain II humanized monoclonal antibody injection) and Denosumab biosimilar HLX14 (recombinant anti-RANKL human monoclonal antibody injection) worldwide except for China, pursuant to which Organon shall pay the upfront fee of US$70 million, and a total of up to US$468 million in development and registration application milestones, and commercial sales milestones payments (the upfront fee included), covering major markets such as the U.S., the EU and numerous emerging markets.

- *Progress of the 2022 National Medical Insurance Drug Catalogue*
  In January 2023, a number of the Group's self-developed and license-in innovative drugs and new indications were included in the National Medical Insurance Drug Catalogue, which will further enhance the accessibility and affordability of innovative drugs and benefit more patients in China. In particular, drugs included in the new edition of the National Medical Insurance Drug Catalogue for the first time through negotiations included (1) Ji Bei An (Azivudine tablets), which are exclusively commercialized by the Group; (2) Akynzeo (Netupitant and Palonosetron Hydrochloride Capsules), the world's first and only dual-channel fixed-dose combination oral compound preparation that simultaneously blocks both NK-1 receptors and 5-HT3 receptors; and (3) Otezla (apremilast tablets), the world's first and the only domestically approved orally-administered targeted small molecular drugs for the treatment of psoriasis. In addition, several products included in the National Medical Insurance Drug Catalogue have successfully added new indications or renewed their inclusions, including (1) the inclusion of new indication rheumatoid arthritis (RA) of Han Li Kang (rituximab injection), approved in 2022, into the National Medical Insurance Drug Catalogue, further expanding the scope of reimbursement; and (2) the completion of renewal of Su Ke Xin (avatrombopag maleate tablets), the world's first oral thrombopoietin receptor agonist (TPO-RA) approved by the U.S. FDA for CLD-related thrombocytopenia, for its inclusion in the National Medical Insurance Drug Catalogue.

- *Production lines consolidation and R&D of first/first three generic drugs/difficult and complex preparations for established medicines*
  During the Reporting Period, the established medicines manufacturing & supply business continued to consolidate production lines to further strengthen the advantage of production costs, and accelerated the independent R&D of first generic drugs, first three generic drugs, and difficult and complex preparations for established medicines.

  On the manufacture side, the Group continued to consolidate production lines and build regional production centers to gather production capacity and achieve the integration of APIs and preparations, further improved production and operation efficiency, and expanded production cost advantages. During the Reporting Period, the Group built a regional production center in Xuzhou to connect the Xingnuo APIs base and the Xuzhou preparation base and vertically integrate the APIs and preparation industry chains, realizing intensive mass production capacity and covering various dosage forms and disease areas. In addition, the Group continued to promote the certification of international production quality standards to consolidate the foundation for the overseas export of preparations. During the Reporting Period, the production line of heparin sodium injection of Wanbang Pharma, a subsidiary, passed the on-site inspection of the U.S. FDA and is qualified to supply to the U.S. market. As at the end of the Reporting Period, the Group had more than 9 production lines that had passed GMP certification in major regulatory markets such as the U.S. FDA and the EU.

  On the product side, the Group continued to optimize the life cycle management of established medicines, focused on the independent R&D of first generic drugs, first three generic drugs and difficult and complex preparations for established medicines, grasped highly fit expansion opportunities, enriched pipelines, improved the energy efficiency of the system, and actively promoted the overseas commercialization of preparations. During the Reporting Period, the Group completed the acquisition of Daiichi Sankyo (Beijing) and obtained the right to manufacture and sell Cravit (levofloxacin tablets and levofloxacin injection) in Chinese mainland (excluding Hong Kong, Macau and Taiwan, China). As the date of this report, Gland Pharma, a subsidiary, has signed a securities purchase agreement to acquire Cenexi, a European CDMO company, with a maximum total amount payable of EUR210 million, so as to strategically establish its CDMO business presence in the European market and build up local manufacturing capabilities in Europe. During the Reporting Period, sodium phenylacetate and sodium benzoate (SPSB) compound liquid preparations, a difficult and complex preparation product of the Group, were launched in the United States, while the NDA for aripiprazole orally disintegrating tablets in Chinese mainland was accepted. As at the end of the Reporting Period, the Group had 118 pipeline projects on generic drugs and 21 consistency evaluation items.

- *Bacterial vaccine platforms and viral vaccine platforms*
  The Group has established technology platforms for bacterial vaccines and viral vaccines, and possessed a unique patented technology of polysaccharide-protein multivalent binding. As at the end of the Reporting Period, its major pipeline products include 13-valent pneumococcal conjugate vaccines (multivalent combinations), 24-valent pneumococcal conjugate vaccines (multivalent combinations), quadrivalent influenza virus lysate vaccines, etc. with independent intellectual property rights. The Group also actively made deployment in the R&D of products such as meningococcal vaccine series, and recombinant influenza vaccines.

At the same time, the Group continued to promote the industrialization of vaccines in its pipeline. In November 2022, a phase III clinical study on the 13-valent pneumococcal conjugate vaccine in Chinese mainland (excluding Hong Kong, Macau and Taiwan, China) had been initiated. The vaccine is a preventive biological product independently developed by the Group and is intended to be used for active immunization of people over 2 months old against pneumococcal diseases caused by types 1, 3, 4, 5, 6A, 6B, 7F, 9V, 14, 18C, 19A, 19F, and 23F strains of infection. The enrollment rate of the phase III clinical progress exceeds 90% as at the date of this report. In January 2023, Fosun Antejin received the Drug Manufacturing Certificate (《藥品生產許可證》) issued by the Sichuan Medical Products Administration, laying a foundation for its subsequent commercial production of pipeline vaccine products.

During the Reporting Period, the NDAs of rabies vaccine (Vero cell) for human use (freeze dried) and quadrivalent influenza virus lysate vaccine, both independently developed by the Group, were respectively accepted in Chinese mainland, and the GMP compliance 2-in-1 on-site inspection and clinical trial on-site inspection for the registration and production of rabies vaccine (Vero cell) for human use (freeze dried) were completed in March 2023.

- *R&D innovation pipeline*
  During the Reporting Period, the Group built the top-level structure of the innovative medicines division, introduced a number of senior scientists and C-level talents, comprehensively upgraded domestic and overseas capabilities in early R&D, CMC, clinical medicine and clinical operations. At the same time, the Group reorganized its innovative drug project establishment, management and decision-making mechanisms at major nodes by streamlining R&D projects and leveraging the INNOX digital management system, and dynamically evaluated its pipeline value and competitiveness, thereby improving the quality and effectiveness of R&D.

Through independent R&D, cooperative development, license introduction and in-depth incubation, the Group focused on core therapeutic areas such as oncology (solid tumors and hematological tumors), immunology, central nervous system, chronic disease (liver disease/metabolic disease/kidney disease) and mainly strengthened core technology platforms such as small molecule, antibody/ADC, cell therapy and RNA, creating an open and global innovative R&D system. It also actively explored technologies such as RNA, Protac and AI-assisted therapy to continuously enhance its core R&D capabilities and pipeline value, and facilitate the R&D and commercialization of more FIC and BIC products.

As at the end of the Reporting Period, there were over 260 pipeline projects of the Group on innovative drugs, biosimilars, generic drugs and consistency evaluation items (for the details of the major pipeline drug projects, please refer to Table 4). During the Reporting Period, a total of 249 patents had been applied for in the pharmaceutical manufacturing segment of the Group, including 16 U.S. patent applications, 17 PCT applications, with 48 licensed invention patents obtained.

Table 4 — Major pipeline drug projects

Type	Number (calculated according to indications)	Remarks
Innovative drugs	63	/
Including: Small molecular innovative drugs under independent development	17	For details of the major items under clinical study and application for sales, please refer to Table 5. Comprising 3 items under phase III clinical trial.
Biopharmaceutical innovative drugs under independent development	27	For details of the major items under clinical study and application for sales, please refer to Table 6. Comprising 2 items under application for sales and 7 items under phase III clinical trial.
License-in innovative drugs	19	For details, please refer to Table 7. Comprising 2 items under application for sales and 5 items under phase III clinical trial.
Biosimilars under independent development	14	For details, please refer to Table 8. Comprising 6 items approved for launch, 2 items under application for sales and 3 items under phase III clinical trial.
Generic drugs	118	/
Including: Imported generic drugs	14	/
Consistency evaluation items	21	/

Note: This table does not include the pipeline drug projects of Fosun Kite, a joint venture, and the pipeline drug projects of Gland Pharma, a subsidiary.

Table 5 — Small molecular innovative drugs under independent development

No.	Therapeutic area	Drug name/code	Indications	R&D progress in Chinese mainland as at the end of the Reporting Period	R&D progress in other countries as at the end of the Reporting Period
1	Anti-tumor	FCN-338	Hematological malignancies	Phase I clinical trial	Phase I clinical trial (in the U.S.)
2			Relapsed or refractory B- cell lymphoma	Phase I clinical trial	
3		FCN-159	Malignant melanoma	Phase I clinical trial	—
4			Neurofibromatosis type I	Phase II clinical trial (international multi-center)	
5			Low-grade gliomas	Phase II clinical trial	—
6			Histiocytic tumors	Phase II clinical trial	—
7		ORIN1001	Solid tumor	Phase I clinical trial	Phase I clinical trial (in the U.S.)
8		SAF-189	Non-small cell lung cancer (ROS1+)	Phase II clinical trial	Approved for clinical trial (in the U.S.)
9			Non-small cell lung cancer (ALK+)	Phase III clinical trial	
10		FCN-437c	Breast cancer 1L	Phase III clinical trial	Phase I clinical trial (in the U.S.)
11			Breast cancer 2L	Phase III clinical trial	
12		YP01001	Advanced solid tumor	Phase I clinical trial	—
13		FH-2001	Advanced malignant solid tumor	Phase I clinical trial	—
14	Metabolism and alimentary system	FCN-342	Gout	Phase I clinical trial	—
15	Others	ORIN1001	Idiopathic pulmonary fibrosis (IPF)	Approved for clinical trial	Phase I clinical trial (in the U.S.)
16		ET-26	Anesthesia	Phase II clinical trial	—
17		FCN-159	Arteriovenous malformations	Phase II clinical trial	—

Table 6 — Biopharmaceutical innovative drugs under independent development

No.	Therapeutic area	Drug name/code	Indications	R&D progress in Chinese mainland as at the end of the Reporting Period	R&D progress in other countries as at the end of the Reporting Period
1	Anti-tumor	Han Si Zhuang (serplulimab injection)	Microsatellite instability-high (MSI-H) solid tumor	Approved for launch	Approved for clinical trial (Note)
2		Han Si Zhuang (serplulimab injection) + chemotherapy	Squamous non-small cell lung cancer (sqNSCLC)	Approved for launch	Phase III clinical trial (international multi-center)
3			Extensive-stage small cell lung cancer (ES-SCLC)	NDA	Bridging trial (in the U.S.)
4			Esophageal squamous cell carcinoma (ESCC)	NDA	—
5			Neo-/adjuvant treatment of GC	Phase III clinical trial	—
6		Han Si Zhuang (serplulimab injection) + chemotherapy + radiotherapy	Limited-stage small cell lung cancer (LS-SCLC)	Phase III clinical trial (international multi-center)	
7		Han Si Zhuang (serplulimab injection) + Han Bei Tai (bevacizumab injection)	Non-squamous non-small cell lung cancer (nsNSCLC)	Phase III clinical trial	—
8			Hepatocellular carcinoma (HCC)	Phase II clinical trial	—
9			Metastatic colorectal cancer (mCRC)	Phase II/III clinical trial	—
10		Han Si Zhuang (serplulimab injection) + HLX07 (recombinant anti-EGFR humanized monoclonal antibody injection)	Recurrent or metastatic head and neck squamous cell carcinoma (HNSCC)	Phase II clinical trial	—
11			Squamous non-small cell lung cancer (sqNSCLC)	Phase II clinical trial	—
12		Han Si Zhuang (serplulimab injection) + HLX07 (recombinant anti-EGFR humanized monoclonal antibody injection) + Han Bei Tai (bevacizumab injection)	Hepatocellular carcinoma (HCC)	Approved for clinical trial	—
13		HLX26 (recombinant anti-LAG-3 human monoclonal antibody injection) + Han Si Zhuang (serplulimab injection)	Solid tumor	Phase I clinical trial	—
14		HLX22 (anti-human epidermal factor receptor-2 (HER2) humanized monoclonal antibody injection) + Han Qu You (trastuzumab injection)	Gastric cancer (GC)	Phase II clinical trial	—
15		HLX07 (recombinant anti-EGFR humanized monoclonal antibody injection)	Solid tumor	Phase Ib/II clinical trial	Approved for clinical trial (in the U.S.)
16			Locally advanced or metastatic cutaneous squamous cell carcinoma (CSCC)	Phase II clinical trial	Approved for clinical trial (in the U.S.)
17		HLX20 (recombinant anti-PD-L1 fully human monoclonal antibody injection)	Solid tumor	Approved for clinical trial	Phase I clinical trial (in Australia)
18		HLX22 (anti-human epidermal factor receptor–2 (HER2) humanized monoclonal antibody injection) + Han Si Zhuang (serplulimab injection) + standard therapy (trastuzumab combination therapy)	Gastric cancer (GC)	Approved for clinical trial	—
19		HLX26 (recombinant anti-LAG-3 human monoclonal antibody injection)	Solid tumor and lymphoma	Phase I clinical trial	—
20		HLX35 (recombinant humanized anti- EGFR and anti–4–1BB bispecific antibody injection)	Solid tumor	Phase I clinical trial	Phase I clinical trial (in Australia)
21		HLX301 (recombinant anti-PD-L1 and anti-TIGIT bispecific antibody injection)	Solid tumor	Phase I clinical trial	Phase I clinical trial (in Australia)
22	Anti-tumor	HLX53 (anti-TIGIT Fc fusion protein)	Solid tumor and lymphoma	Phase I clinical trial	—
23		HLX60 (recombinant humanized anti- GARP monoclonal antibody injection)	Solid tumor and lymphoma	Phase I clinical trial	—
24		HLX60 (recombinant humanized anti- GARP monoclonal antibody injection) + Han Si Zhuang (serplulimab injection)	Solid tumors	—	Phase I clinical trial (in Australia)
25	Blood system	Recombinant human erythropoietin-HyFc fusion protein injection	Anemia	Phase Ib/II clinical trial	—
26	Others	HLX04-O (recombinant anti-VEGF humanized monoclonal antibody injection)	Wet age-related macular degeneration (wAMD)	Phase III clinical trial	Phase III clinical trial (international multi-center)
27		GC101	Recessive dystrophic epidermolysis bullosa (RDEB)	Approved for clinical trial	—

Note: Han Si Zhuang (serplulimab injection) received the IND approval in the United States, the EU and other countries and regions.

Table 7 — License-in innovative drugs

No.	Therapeutic area	Drug name/code	Indications	R&D progress in the licensed territory as at the end of the Reporting Period
1	Anti-tumor	FS–1502 (recombinant anti-HER2 humanized monoclonal antibody-monomethyl auristatin F conjugate for injection)	Non-small cell lung cancer (NSCLC)	Phase II clinical trial
2			HER2-positive locally advanced or metastatic breast cancer	Phase I clinical trial
3			HER2-expressing advanced malignant solid tumors	Phase II clinical trial
4		FS–1502 (recombinant anti-HER2 humanized monoclonal antibody-monomethyl auristatin F conjugate for injection) in combination with serplulimab and/or chemotherapy	HER2-expressing advanced gastric cancer	Phase II clinical trial
5		HLX208	Solid tumor (metastatic colorectal cancer, non-small cell lung cancer, etc.), LCH and ECD	Phase II clinical trial
6		HLX208 (BRAF V600E inhibitor) + Han Si Zhuang (serplulimab injection)	BRAF V600E or BRAF V600 mutation-positive advanced solid tumor	Approved for clinical trial
7		SVN53-67/M57-KLH peptide vaccine (SurVaxM)	Primary diagnosis of glioblastoma	Approved for clinical trial
8	Metabolism and alimentary system	Keverprazan Hydrochloride tablets (trade name: Bei Wen (倍穩))	Duodenal ulcer (DU)	*(Note 1)*
9			Reflux esophagitis (RE)	*(Note 1)*
10		Tenapanor tablets	Irritable bowel syndrome with constipation (IBS-C)	Chinese mainland: Phase I clinical trial Hong Kong and Macau: Application for sales
11		Ferric pyrophosphate citrate solution	Iron substitutes for dialysis patients	Phase III clinical trial
12	Anti-infection	Comirnaty BNT162b2 (mRNA vaccine BNT162b2), Comirnaty Bivalent Vaccine (mRNA COVID-19 Original/Omicron BA.4/BA.5-adapted bivalent vaccine)	Prevention of disease (COVID-19) caused by novel coronavirus (SARS-CoV-2) infection	Chinese mainland: Phase II clinical trial completed Hong Kong: Officially registered *(Note 2)* Macau: Approved as a regular imported vaccine *(Note 3)* Taiwan, China: Obtained special approval for emergency use
13		Pretomanid tablets	Extensively drug-resistant (XDR) or multidrug-resistant tuberculosis (MDR-TB) with treatment intolerance/low efficacy of treatment	Chinese mainland: Phase I clinical trial Hong Kong: Approved for launch
14	Central nervous system	Opicapone capsules	Parkinson syndrome	NDA
15	Blood system	Avatrombopag maleate tablets	Chronic immune thrombocytopenia (ITP)	NDA
16		Tenapanor tablets	Hyperphosphatemia in end-stage renal disease dialysis patients (ESRD-HD)	Phase III clinical trial
17	Others	RT002 (DaxibotulinumtoxinA for injection)	Moderate to severe glabellar lines in adults (GL)	Phase III clinical trial
18			Isolated cervical dystonia (CD)	Phase III clinical trial
19		Fortacin spray (lidocaine prilocaine spray)	Premature ejaculation	Phase III clinical trial

Note 1: The NDA of Bei Wen (Keverprazan Hydrochloride tablets) for the treatment of duodenal ulcer (DU) and reflux esophagitis (RE) was approved by the NMPA in February 2023. It is in the phase I clinical trial in the United States.

Note 2: Comirnaty BNT162b2 (mRNA COVID-19 vaccine original strain) and Comirnaty Bivalent Vaccine (Original/Omicron BA.4/BA.5-adapted bivalent vaccine) were officially registered as drugs/products in Hong Kong in December 2022.

Note 3: Comirnaty Bivalent Vaccine was approved as a regular imported vaccine in Macau in January 2023.

Table 8 — Biosimilars under independent development

No.	Therapeutic area	Drug name/code	Indications	R&D progress in Chinese mainland as at the end of the Reporting Period
1	Anti-tumor	HLX11 (recombinant anti-HER2 domain II humanized monoclonal antibody injection)	Neoadjuvant treatment of BC	Phase III clinical trial (international multi-center)
2		HLX05 (recombinant anti-EGFR human/murine chimeric monoclonal antibody injection)	Metastatic colorectal cancer (mCRC) and metastatic head and neck squamous cell carcinoma (HNSCC)	Phase I clinical trial
3		HLX13 (recombinant anti-CTLA–4 fully human monoclonal antibody injection)	Melanoma, renal cell carcinoma (RCC) and metastatic colorectal cancer (mCRC)	Approved for clinical trial
4		HLX15 (recombinant anti-CD38 fully human monoclonal antibody injection)	Multiple myeloma (MM)	Approved for clinical trial
5		Han Bei Tai (bevacizumab injection)	Recurrent glioblastoma	Supplemental application approved for launch
6			Cervical cancer	Supplemental application approved for launch
7			Epithelial ovarian cancer, fallopian tube cancer or primary peritoneal cancer	Supplemental application approved for launch
8	Metabolism and alimentary system	Insulin glargine injection	Diabetes	Approved for launch
9		Recombinant insulin lispro injection	Diabetes	Approved for launch
10		Mixed protamine zinc recombinant insulin lispro injection (50R)	Diabetes	NDA
11		Mixed protamine zinc recombinant insulin lispro injection (25R)	Diabetes	NDA
12		Liraglutide injection	Diabetes	Phase III clinical trial
13	Others	HLX14 (recombinant anti-RANKL fully human monoclonal antibody injection)	Osteoporosis (OP)	Phase III clinical trial (international multi-center)
14		Han Li Kang (rituximab injection)	Rheumatoid Arthritis (RA)	Approved for launch

As at the end of the Reporting Period, a total of 25 products of the Group that had passed or deemed to have passed the consistency evaluation of generic drugs were selected in seven batches of national centralized drug procurement bidding (for details, please refer to Table 9 — Products won tenders for centralized procurement). For the existing products included in centralized procurement, the Group leveraged the advantages of multi-channel marketing and lean production to strengthen the life cycle management of centralized procurement products while sacrificing price for volume, and actively promoted incremental products to quickly enter the market through centralized procurement and effectively smoothen the impact of existing products participating in centralized procurement.

Table 9 — Products won tenders for centralized procurement

No.	Round selected	Name of drugs	Indications	Specifications	Charge unit	Selected price (RMB)
1	4+7 scope expansion	Amlodipine Besylate Tablets	High blood pressure	5mg*7 tablets	Box	0.49
2		Escitalopram Oxalate Tablets	Depression disorder	10mg*7 tablets	Box	27.86
3	The second round	Azithromycin Capsules	Infection	0.25g*6 capsules	Box	6.36
4		Clindamycin Hydrochloride Capsules	Infection caused by susceptible strains such as streptococci, staphylococci and anaerobic bacteria	0.15g*10 capsules	Box	1.40
5		Indapamide Tablets	Essential hypertension	2.5mg*10 tablets	Box	0.69
6		Isoniazid Tablets	Tuberculosis	0.1g*100 tablets	Box	5.02
7	The third round	Febuxostat Tablets	Long-term treatment of gout patients with hyperuricemia	40mg*16 tablets	Box	16.48
8		Quetiapine Fumarate Tablets	Manic episodes of schizophrenia and bipolar disorder	0.1g*30 tablets	Box	33.96
9		Pitavastatin Calcium Tablets	Hypercholesterolemia and familial hypercholesterolemia	2mg*14 tablets	Box	10.80
10		Ethambutol Hydrochloride Tablets	Tuberculosis	0.25g*50 tablets	Box	6.03
11		Memantine Hydrochloride Tablets	Moderate to severe Alzheimer's dementia	10mg*14 tablets	Box	15.26
12	The fourth round	Telmisartan Tablets	Essential hypertension	40mg*8 tablets/strip *4 strips/box	Box	19.17
13		Empagliflozin Tablets	Type 2 diabetes	10mg*10 tablets/strip *1 strip/box	Box	19.51
14		Calcium Dobesilate Capsules	1. Retinopathy caused by diabetes; 2. heart, brain, and kidney diseases caused by microcirculation disorders, such as glomerulosclerosis; 3. reduction of the viscosity of blood; 4. prevention of microemboli; 5. numbness, pain and itchiness of limb; 6. syndromes such as varicosity	0.5g*10 capsules/strip *3 strips/box	Box	20.40
15		Sorafenib Tosylate Tablets	Inoperable or distant metastasis of hepatocellular carcinoma	0.2g*10 tablets/strip *3 strips/box	Box	798.00
16		Duloxetine Hydrochloride Enteric Capsules	Generalized anxiety disorder and depression	20mg*60 capsules/bottle	Bottle	58.80
17		Pyrazinamide Tablets	Tuberculosis	0.25g*100 tablets/bottle	Bottle	19.49
18	The fifth round	Alfacalcidol Tablets	1. Improve the symptoms of patients with chronic renal insufficiency, hypoparathyroidism, vitamin D- resistant rickets and osteomalacia due to abnormal vitamin D metabolism, such as hypocalcemia, convulsions, ostealgia and bone damage. 2. Osteoporosis.	0.25μg*10 tablets/strip*3 strips/box	Box	36.90
19		Bicalutamide	1. 50mg per day: For the treatment for advanced prostate cancer together with luteinizing hormone- releasing hormone (LHRH) analogue or surgical orchiectomy. 2. 150mg per day: For the treatment of patients with locally advanced prostate cancer without distant metastasis who are not suitable or unwilling to receive surgical castration or other medical treatments.	50mg*14 tablets/strip/box	Box	162.73
20	The sixth round	Human Insulin Injection	Diabetes	3ml: 300 unit (refill) *1 vial	Vial	29.36
21		Protamine Recombinant Human Mixed Insulin Injection (30/70)	Diabetes	3ml: 300 unit (refill) *1 vial	Vial	29.80
22	The seventh round	Cefmetazole Sodium for injection	Among staphylococcus aureus, escherichia coli, pneumococcus, proteus (indole positive and negative) bacteroides, peptococcus and peptostreptococcus, the following infections caused by susceptible bacteria to this product: sepsis; bronchitis, bronchitis dilated infection, pneumonia, secondary infection of chronic respiratory disease; pulmonary suppuration (lung abscess), empyema; cholangitis, cholecystitis; peritonitis; pyelonephritis, cystitis; bartholinitis, intrauterine infection, uterine adnexitis, parametritis; cellulitis around the jaw, jaw inflammation.	1g*10 bottles/box	Box	239.8
23		Cefminox Sodium for injection	1. Respiratory system infection: tonsillitis, peritonsillar abscess, bronchitis, bronchiolitis, bronchiectasis (in the case of infection), secondary infection of chronic respiratory disease, pneumonia, pulmonary suppuration; 2. Urinary system infection: pyelonephritis, cystitis; 3. Abdominal infection: cholecystitis, cholangitis, peritonitis; 4. Pelvic infection: pelvic peritonitis, uterine adnexitis, intrauterine infection, pelvic dead space inflammation, parametritis; 5. Sepsis.	0.25g*10 bottles/box	Box	18.51
24		Lidocaine Hydrochloride Injection	This product is a local anesthetic and an antiarrhythmic drug. Mainly used for infiltration anesthesia, epidural anesthesia, topical anesthesia (including mucosal anesthesia during thoracoscopy or abdominal surgery) and nerve conduction block. This product can be used for ventricular premature beats and ventricular tachycardia after acute myocardial infarction, and can also be used for ventricular arrhythmia caused by digitalis poisoning, cardiac surgery and cardiac catheterization. This product is usually ineffective for supraventricular arrhythmias.	5ml:0.1g*5 vials/box	Box	12.6
25		Roxithromycin Tablets	For the treatment of infections caused by roxithromycin-sensitive pathogens	150mg*6 tablets/strip/box	Box	3.87

Commercialization system

Through continuous enhancement of the construction and integration of the marketing system, the Group has formed a marketing system by product lines featured by professionalism, branding, digitalization and compliance that supported existing products and products to be launched in the market. As at the end of the Reporting Period, the pharmaceutical manufacturing segment of the Group had a commercialization team consisting of approximately 6,000 employees, covering more than 2,000 Class III hospitals, 10,000 Class I and Class II hospitals and nearly 200,000 retail pharmacies.

In recent years, in order to keep pace with the launch of innovative products and the process of internationalization, the Group focused on the establishment of the oncology and non-oncology innovative drug teams, the OBM broad market team, the new retail team for OTC and online channels, the commercialization team for Africa and the U.S., and also constructed a comprehensive support system covering aspects such as medical affairs, market access, medical strategic alliance and brand promotion. In addition, by virtue of the cooperation and linkage with Sinopharm, the Group also fully utilized Sinopharm's strengths in distribution network and logistics to facilitate the expansion of sales channels of the Group's pharmaceutical products.

With the successive launch of innovative products such as Han Li Kang, Han Qu You, Han Si Zhuang, etc., the Group's oncology innovative drug team continued to expand and optimize. As at the end of the Reporting Period, the team had approximately 2,100 members. Focusing on core departments such as hematology, lymphoma, hematological tumor, breast, medical oncology, hepatobiliary surgery and intervention, the team made deployment in the core market, the county-level market and DTP channels. The Group has established multi-channels covering nearly 4,000 hospitals and nearly 1,000 DTP pharmacies. In the future, the oncology innovative drug team will further open up the matrix of its existing products and serve the launch of more innovative drugs and comprehensive treatment.

The Group's non-oncology innovative drug team has profound market experience in the field of chronic diseases, and has created a number of market-leading brands such as You Li Tong and Bang Zhi, while gaining high recognition from external partners. With the continuous advancement of centralized drug procurement, the team continued to transform and upgrade. It had set up auto-immunity, digestion and metabolism, kidney disease and comprehensive specialty lines. A marketing and promotion team of about 1,300 personnel was established to extensively reach patients by pipeline with a focus on core departments such as rheumatology, dermatology, nephrology, dialysis and gastroenterology. In addition, during the Reporting Period, the Group also established an anti-virus team of around hundred members and rapidly engaged in promoting the commercialization of Azvudine tablets. The non-oncology innovative drug team will continue to strengthen the full life cycle management and services for patients on core tracks and establish a differentiated and competitive non-oncology team in the future.

In addition, the Group continued to expand into the international market. As at the end of the Reporting Period, the pharmaceutical manufacturing segment had formed an overseas commercialization team of approximately 1,000 employees, which mainly covered markets including the U.S. and Africa. In the U.S. market, the Group has initiated the preparatory work for the commercialization of Han Si Zhuang (serplulimab injection), and established its own innovative drug commercialization team covering medical affairs, market access, sales and other functions. In emerging markets such as Africa, the Group has set up 5 regional distribution centers, established and developed core digital management capabilities, user operation capabilities and B2B2C model service capabilities, and provided a one-stop service of registration, circulation, academic promotion and post-launch safety alert and other services, which laid a solid foundation for the Group's product access and marketing.

Integrated production and lean operation

In order to further improve the competitiveness of the production system, enhance operational efficiency and implement the internationalization strategy, the Group continued to streamline and discover its competitive internal production capacity, deepened the integration of the production side, and realized the rapid commercialization of products through the construction of API and preparation bases and engineering technology centers. By building internationally competitive star production lines and production bases, the Group established a CMO/MAH management system, promoted the integration of its product line resources, and facilitated the realization of star production lines and professional production bases for its products.

During the Reporting Period, the Group continued to promote the construction of comprehensive production bases, such as Xuzhou Comprehensive Base, Xingnuo Pharmaceutical API Base, Chongqing Changshou API Base, and Changde Dongting API Base, to increase the production capacity of APIs and preparations; expedited the construction of Shanghai Henlius's Songjiang Base to continuously expand the production capacity of biopharmaceutical drugs. As at the end of the Reporting Period, the construction of the main structure of the first phase of Chongqing Changshou Base and Changde Dongting Base had been completed, while the transfer and inspection of the first batch of products from Xingnuo Pharmaceutical API Base and Xuzhou Industrial Park Preparation Base had been completed, and new products will be continuously introduced with increased production capacity in the subsequent stage.

At the same time, during the Reporting Period, the Group continued to advance and implement Fosun Pharma Operation Excellence, and further upgraded to the FES management system based on FOPEX. Through in-depth analysis and study of each production stage of key products, the Group implemented optimization measures to improve processes, enhance quality and reduce cost, and enhanced product delivery capability. Focusing on revenue growth and R&D efficiency improvement, the Group worked on operation quality and continued to deepen informatization and intelligent transformation.

The Group placed great emphasis on quality and risk management throughout the life cycle of its products. Through different means including gap analysis, special inspection, special training, etc., the Group promoted its subsidiaries to establish a quality system in line with the domestic and international requirements, and enhanced the quality risk awareness and quality management capabilities of all member enterprises. During the Reporting Period, all production lines of the domestic pharmaceutical subsidiaries of the Group obtained domestic GMP certifications, and received over 60 official inspections as well as official sample tests on over 600 batches, all of which were passed smoothly.

2. Medical Devices and Medical Diagnosis

During the Reporting Period, the Group recorded revenue of RMB6,933 million from the medical devices and medical diagnosis segment, representing a year-on-year increase of 16.97%. Segment results amounted to RMB521 million after eliminating the effects from the transfer of the equity interest in Yaneng Biotech during 2021 and others, which increased by 11.87% on the same basis, and segment profit amounted to RMB771 million, which increased by 2.33% on the same basis. The growth in medical devices and medical diagnosis segment was mainly attributable to: 1) the strong business growth of Sisram Medical in major markets, such as North America and Europe benefitted from launch of new products and expansion of channels; and 2) revenue contribution from newly launched products such as COVID-19 antigen test kits.

The Group's medical device business has initially formed three major business divisions focusing on medical cosmetology, respiratory health and professional medical care.

In the field of medical cosmetology, during the Reporting Period, the revenue of Sisram Medical, a subsidiary, amounted to US$354 million and net profit amounted to US$40.08 million (based on the financial statements of Sisram Medical in its reporting currency), recording a year-on-year increase of 20.5% and 23.2%, respectively, the driving factors of which were the strong business growth in core regions such as North America and Asia Pacific, expansion and synergy in multi-dimensional product lines and channels, upgrades of R&D capabilities and infrastructure, and active talent management strategies. During the Reporting Period, while actively expanding its existing energy- based medical aesthetics equipment business, Sisram Medical carried out business deployment and integration on strategic tracks such as aesthetic dentistry, injectables and personal care. During the Reporting Period, Sisram Medical launched its first light-based home-use personal care brand, namely LMNT, and its first product, LMNT one, which were simultaneously marketed in China and Italy, and launched Alma TED™ and CBD+ Professional Skincare Solution™ in the U.S. market to further optimize the portfolio of energy-based medical cosmetic products. In addition, Sisram Medical also participated in investing in Tianjin Xingsiyi, which would be mainly engaged in the R&D, technical services and production of silk fibroin sodium hyaluronate composite gel and facial thread embedding products.

In the field of respiratory health, the Group continued to increase its efforts to expand into the U.S. and Chinese markets while exploring the European market in depth. During the Reporting Period, the localized version of Breas's To C product Z1 ventilator has obtained the manufacturing license and achieved mass-production in Hainan; the localized production of Vivo45 and Vivo3 ventilators continued to progress. At the same time, investment in R&D has been increased, and the R&D of the next generation of portable ventilator Z3 has been initiated.

In the field of professional medical care, the third-party product portfolio centering on the three major fields of tumor diagnosis and treatment, orthopedics and neurology continued to be enriched. The installation volume in China of "Da Vinci Surgical Robot" of Intuitive Fosun, an associated company, was 55 in 2022. Continuous progress in the localization was also made. During the Reporting Period, a medical robot manufacturing and R&D center integrating R&D, production and service has officially commenced construction in Shanghai.

In addition, the medical devices segment has formed a global marketing network that combines direct sales and distribution. During the Reporting Period, Sisram Medical, through strengthening its digital channels, diversified its global marketing strategies and methods, and continuously expanded the global direct sales market. As at the end of the Reporting Period, the marketing network of Sisram Medical covers more than 90 countries and regions across the world. In 2022, the proportion of direct sales revenue further increased to approximately 66%. As at the end of the Reporting Period, the respiratory health sales network of the Group mainly covers Europe, the U.S., China, Japan, India and Australia.

During the Reporting Period, the medical diagnosis segment of the Group actively promoted strategic upgrading and internal integration. In accordance with the business focus and characteristics of each base and subsidiary, the Group specified the functions and positioning of each of these bases and subsidiaries as R&D and manufacturing center, differentiated instrument R&D platform, inspection service business platform and reagent manufacturing base, which accelerated the integration and operation integration process of the diagnostic sector, in order to promote the long-term sustainable development of the medical diagnosis segment.

During the Reporting Period, various products from medical diagnosis segment were approved for launch, including COVID-19 antigen test kits, integrated four-hypers meter for chronic disease management, etc. Meanwhile, the Group actively promoted the R&D and market launch of its new instruments. During the Reporting Period, new products such as F-i1000 fully automated luminescence analyzer, F-i3000 fully automated chemiluminescence analyzer, F-C800p fully automated biochemical analyzer, nucleic acid extractor, and clinical chemistry and immunoassay integrated analyzer were launched successively with improvement in the instrument R&D capabilities. Among the chemiluminescence products, several reagent products for cardiac muscle, hormone, and thyroid function had entered the stage of mass production and commercialization; R&D of diagnostic reagents with high clinical value in the product pipeline such as high-speed biochemical testing instruments, complete assembly line equipment, fully automated molecular workstations, Glycotest HCC Panel (early liver cancer diagnosis and screening solution), several panels on Molecular POCT respiratory testing and infectious pathogen detection panels on the immunofluorescence chromatography platform were in progress.

3. Healthcare services

During the Reporting Period, the revenue from healthcare services segment amounted to RMB6,076 million, representing a year-on-year increase of 47.65%. Excluding the effect of the factors such as the newly acquired Guangzhou Xinshi Hospital during the Reporting Period, the segment revenue achieved an increase of 33.56% on the same basis. The revenue growth was mainly benefited from the growth of the online business and the revenue recovery of the hospitals. Due to the relatively large investment in the online business, the periodic decrease in diagnosis and treatment volume of hospitals and the initial loss of newly opened hospitals and other factors, segment results during the Reporting Period amounted to RMB–622 million, representing a year-on-year decrease of RMB255 million. Segment profit amounted to RMB–792 million, representing a year- on-year decrease of RMB359 million.

Currently, online consultations and online drug purchases have become a new trend in medical care for residents. Therefore, the Group expedited to promote medical digital transformation by actively exploring online and offline integrated service models. During the Reporting Period, taking "becoming a health management technology group worthy of global family trust" as the vision and "making a healthier family and a better life" as the mission, "Fosun Health", the Group's healthcare service platform, provided users with one-stop healthcare services based on medical-grade trust and closed-loop solutions throughout the treatment course, gradually building an active health management model (FHMO) that integrates medicine and healthcare.

The Group continuously integrated online and offline scenarios both inside and outside the hospital, and provided services such as medical centers and regional medical institution alliance, specialized medical care and insurance empowerment based on its professional medical capabilities. As at the end of the Reporting Period, the Group obtained 10 internet hospital licenses in total, and the hospitals controlled by the Group had a total of 6,333 authorized beds.

During the Reporting Period, the women's and children's medical center of Foshan Fosun Chancheng Hospital and Shanghai Xingchen Children's Hospital were officially put into operation, further developing into the field of gynecology and pediatrics. At the same time, six medical institutions, including Foshan Fosun Chancheng Hospital and the medical associations within its radius, fully launched "Cloud HIS" (a new generation of smart medical cloud platform), while the online-offline integration of regional medical associations in the Greater Bay Area began to be piloted. The Group integrated internal and external high-quality medical resources to build a disciplinary engine and continuously improved the whole-course management services of specialties; and promoted the integrated development of professional and consumer medical services to provide one-stop health management services.

Regarding medical centers and regional medical institution alliance, through continuous promotion of the integration of online and offline medical institutions, the expansion of primary medical services, the establishment of high-level medical disciplines and the facilitation of the integrated operation, the Group cultivated regional healthcare model to form a regional healthcare services network surrounding key regions such as the Greater Bay Area and the Yangtze River Delta. During the Reporting Period, the Group took self-operated flagship hospitals as the starting point to collaborate with regional medical institutions to integrate prevention, diagnosis, treatment and rehabilitation service, thereby meeting the diversified medical needs of the users. Meanwhile, the Group continued to improve disciplines and set up key specialty committees. Some of the medical institutions controlled by the Group have set up key specialties at a municipal level and provincial level in their regions, and the application for projects from the National Natural Science Foundation of China in respect of certain disciplines were completed, among which, Foshan Fosun Chancheng Hospital was awarded the "14th Five-Year Plan" high-level specialized hospital in Foshan City, and Anhui Jimin Cancer Hospital achieved in-depth specialty alliance cooperation with the First Affiliated Hospital of Anhui Medical University. In addition, it continued to strengthen its group integrated operation, enhanced asset management efficiency and quality control compliance, and reduced costs significantly through the centralized procurement of drugs and devices.

Regarding specialized medical services, focusing on key specialized disease areas and centering on the needs of patients, the Group cultivated digital and intelligent capabilities and doctor resources system and established special supply chains, which gradually achieved management of specialized disease throughout the treatment course. The Group constructed a digital specialty center for key specialized diseases and efficiently integrated healthcare ecosystem resources, and formed digital business cooperation with thousands of hospitals as at the end of the Reporting Period, with around 60,000 certified doctors registered in aggregate on the platform for such cooperation. Breakthroughs in innovative models have been achieved in specialized disease areas including oncology and chronic kidney diseases, forming a closed loop connecting online and offline services both inside and outside the hospital. In addition, the Group created a medical service platform for COVID-19 prevention and treatment and an appointment platform for Comirnaty mRNA bivalent vaccination to provide one-stop specialty medical services. At the same time, the Group made steady development in discipline construction. By integrating the specialty resources of its hospitals and based on the empowerment by the digital platform, the Group has established 12 major specialty alliances, including obstetrics and gynecology, cardiology, rehabilitation and orthopedics, to promote the vertical connection between the specialties of member hospitals. Through the establishment of doctor groups, the team of leading experts in various specialties has been introduced to improve the level of discipline, and to empower internal and external discipline construction. During the Reporting Period, the leading experts in urology and neurosurgery were introduced, and the doctor group model has been implemented and operated in the medical institutions controlled by the Group.

Regarding insurance empowerment, the Group provided insurance and health management services to users, focused on the two major businesses of regional medical care and specialized medical care, and assisted in the building up of FHMO ecological closed loop. Leveraging on the specialty departments and cutting-edge medical technologies of medical centers and regional medical associations, the Group created customized innovative insurance payment solutions, allowing more patients to enjoy specialized medical services while promoting the in-depth integration of insurance and medical services. Based on the extensive cooperation with retail pharmacies, insurance companies and pharmaceutical companies, the Group have created innovative payment plans for various diseases such as breast cancer, cervical cancer, tumors and liver disease to reduce the pressure on patients to purchase drugs, and simultaneously provided specialized disease management services to enhance the value conversion of patients. At the same time, the Group gradually consolidated its platform operation and medical service capabilities by utilizing private doctor resources, so as to provide insurance customers with differentiated services of online medical care, health management and drug purchase and lay an FHMO foundation for the integration of medicine and healthcare.

4. Pharmaceutical Distribution and Retail

In 2022, Sinopharm recorded revenue of RMB552.148 billion, net profit of RMB14.345 billion and net profit attributable to shareholders of the parent of RMB8.526 billion, representing an increase of 5.97%, 9.80% and 9.89% as compared to last year, respectively.

In respect of the pharmaceutical distribution, Sinopharm actively complied with the industry transformation trend, strengthened its service capability of distribution network, and ensured the steady growth of key regions and markets while continuously improving the coverage and penetration ratio of business network. Sinopharm accelerated to promote the innovation of supply chain model and service transformation to expand new growth points, and gradually improved a service ecology of "medical, medicine, patient, insurance" and "wholesale-retail integration" by deepening the cooperation with manufacturers. In 2022, Sinopharm recorded a revenue of RMB406.604 billion from pharmaceutical distribution business, representing a year-on-year increase of 4.27%.

In respect of medical devices, relying on its network coverage and service advantages, Sinopharm actively focused on the transformation of the B-end market operation mode, accelerated the expansion of its comprehensive service advantages, and consolidated its barriers to competition. In 2022, Sinopharm recorded a revenue of RMB120.851 billion from medical device business, representing a year-on-year increase of 11.77%.

In respect of retail pharmacy, Sinopharm continued to strengthen the network layout and regional coverage of retail pharmacy segment, focusing on improving the coverage of cities in China without operating business and hospital-oriented businesses. As at the end of the Reporting Period, there were 494 new stores in the retail pharmacy segment. In 2022, Sinopharm recorded a revenue of RMB32.979 billion from retail pharmacy business, representing a year-on-year increase of 13.49%.

5. Financing

During the Reporting Period, the Group continued to optimize its debt structure, reasonably controlled the debt scale and comprehensive financing cost, and through diversified financing channels, effectively seized the opportunities in the industry so as to ensure the long-term sustainable development.

In 2022, the Company completed the non-public issuance of A Shares and newly issued 106,756,666 shares of A Shares, raising gross proceeds of RMB4,484 million. The net proceeds after deducting issuance expenses and others will be used for innovative drug clinical, license in and relevant marketing preparation, intensive comprehensive base for APIs and preparations, as well as replenishment of working capital. The Non-public Issuance will facilitate the Group to promote the R&D of new drugs, to consolidate production capacity and to further optimize the Group's financial structure.

In 2022, the Company actively deepened its good cooperation with domestic and foreign financial institutions. It completed the registration of RMB6,000 million super short-term commercial paper and RMB4,000 million medium-term notes in the inter-bank market, obtained sustainability-linked syndicated loan of US$400 million and issued RMB500 million medium-term notes, thus further improving its diversified financing channels.

III. Core Competence Analysis

During the Reporting Period, the core competitiveness of the Group was reflected in its open-style R&D ecology, forward-looking international layout, systematic commercialization team and other aspects:

1. Advantages in R&D and innovation. The Group connected with teams with outstanding scientific talents, leading technologies and high-value products worldwide through diversified and multi-level cooperation models such as independent R&D, co-development, license-in projects and deep incubation. In addition, the Group enriched its innovative product pipelines, enhanced the research and clinical development capabilities of FIC and BIC new drugs, and promoted the development and practice of innovative technologies and products through the integrated management of the innovative R&D projects by the global R&D center. As at the end of the Reporting Period, the Group had more than 3,600 R&D personnel, of which over 1,900 persons obtained a master's degree or above. During the Reporting Period, the R&D expenditure of the Group amounted to RMB5,885 million, accounting for 13.39% of the Group's revenue.

2. Advantages in international development. The Group implemented its internationalization strategy in multiple dimensions including innovative R&D, license-in projects, production and operation as well as commercialization. The Group had cultivated a global BD team for deployment in frontier areas through R&D cooperation and license-in projects, while drug clinical and registration teams in the U.S., Africa, Europe and India continued to strengthen overseas drug registration and application capabilities. The Group also accelerated the international quality system certification of domestic production lines, and deepened its international marketing capabilities so as to further expand the international market.

3. Advantages in commercialization. The Group continuously enhanced the construction and integration of marketing system, and had formed a marketing system by product lines featured by professionalism, branding, digitalization and compliance that supported existing products and products to be launched to the market. As at the end of the Reporting Period, the Group had a commercialization team of over 7,100 employees. The Group had also built up a comprehensive support system in medical affairs, market access, medical strategic alliance, brand promotion, etc.

IV. Major Operations in the Reporting Period

(I) Analysis on Principal Operations

1. Analysis of Changes in Relevant Items of Income Statement and Statement of Cash Flows

Unit: million Currency: RMB

Items	Amount for the year	Amount for last year	Year-on-year change (%)	Reasons
Revenue	43,811	38,864	12.73	*Note 1*
Cost of sales	23,170	20,230	14.53	*Note 2*
Selling and distribution expenses	9,171	9,101	0.77	*Note 3*
Finance costs	964	823	17.13	*Note 4*
Other expenses	2,965	1,164	154.73	*Note 5*
Tax	627	1,066	–41.21	*Note 6*
Net cash flow generated from financing activities	4,428	–819	640.66	*Note 7*

Note 1: For the reasons for the change in revenue, please refer to "Segment Performance Overview" in "Management Discussion and Analysis".

Note 2: The year-on-year increase in cost of sales was slightly higher than the year-on-year increase in revenue, which was mainly due to the impact of low gross profit margin businesses such as overseas sales of non-proprietary public health protection supplies, as well as the increase in the unit costs of some products as affected by factors including the increase in labor costs and the increase in the prices of raw and auxiliary materials during the Reporting Period.

Note 3: Mainly due to: (1) the Group continued to strengthen the control of sales expenses and achieved remarkable effects; (2) the year-on-year decrease in the sales expense ratio of centralized procurement products; and (3) the investment in market development as well as sales team for newly launched products including Han Si Zhuang during the Reporting Period.

Note 4: Mainly due to the increase in interest expenses as a result of the increase in interest-bearing liabilities.

Note 5: Mainly due to: (1) the cumulative profits or losses from changes in fair value transferred to the investment income for the disposal of BNTX shares; and (2) the losses from changes in the fair value of investment in debt instruments held by subsidiaries during the Reporting Period.

Note 6: Mainly due to the decrease in taxable profits and R&D expenses being affected by factors including the phased preferential tax policies during the Reporting Period.

Note 7: Mainly due to the cash inflows arising from the issuance of new shares during the Reporting Period.

2. Analysis of Revenue and Cost of Sales

(1) Principal Operations by Segments, Products, Geographical Locations

Unit: million Currency: RMB

Principal Operations by Segments

By segments	Revenue	Cost of sales	Gross profit margin (%)	Year-on-year change in revenue (%)	Year-on-year change in cost of sales (%)	Year-on-year change in gross margin
Pharmaceutical manufacturing *(Note 1)*	30,693	13,840	54.91	6.68	—	increase of 3.01 percentage points
Medical devices and medical diagnosis *(Note 2)*	6,933	4,289	38.14	16.97	40.99	decrease of 10.59 percentage points
Healthcare services	6,076	4,945	18.61	47.65	48.36	decrease of 0.39 percentage point

Principal Operations by Products

By products	Revenue	Cost of sales	Gross profit margin (%)	Year-on-year change in revenue (%)	Year-on-year change in cost of sales (%)	Year-on-year change in gross margin
Major products of anti-tumor and immune modulation *(Note 3)*	5,522	1,074	80.55	39.44	29.55	increase of 1.48 percentage points
Major products of metabolism and alimentary system	2,883	614	78.70	–0.24	1.82	decrease of 0.43 percentage point
Major products of anti-infection *(Note 4)*	8,582	4,007	53.31	–0.45	–19.08	increase of 10.75 percentage points
Major products of central nervous system *(Note 5)*	1,003	101	89.93	–11.79	3.06	decrease of 1.45 percentage points
Major products of cardiovascular system *(Note 6)*	2,115	1,364	35.51	6.12	8.77	decrease of 1.57 percentage points
Major products of APIs and intermediate products	1,248	921	26.20	9.96	9.12	increase of 0.56 percentage point

Principal Operations by Geographical Locations

By Geographical Locations	Revenue	Cost of sales	Gross profit margin (%)	Year-on-year change in revenue (%)	Year-on-year change in cost of sales (%)	Year-on-year change in gross margin
Chinese mainland *(Note 7)*	29,873	14,484	51.51	18.27	21.78	decrease of 1.40 percentage points
Regions outside Chinese mainland and other countries *(Note 8)*	13,938	8,686	37.68	2.49	4.22	decrease of 1.04 percentage points

Note 1: The increase in gross profit margin of the pharmaceutical manufacturing segment as compared with the same period last year was mainly due to the continuous optimized product structure, and the increasing proportion of new products and sub-new products with higher gross profit margin in total revenue.

Note 2: The increase in revenue and cost of sales of medical devices and medical diagnosis segment as compared with the same period last year was mainly due to: (1) the strong business growth of Sisram Medical in major markets, such as North America and Europe; (2) the contribution from the revenue of COVID-19 antigen test kits; and (3) the contribution of overseas sales of non-proprietary public health protection supplies.

The decrease in gross profit margin of the medical devices and medical diagnosis segment as compared with the same period last year was mainly due to: (1) changes in product structure as a result of equity transfer of Yaneng Biotech at the end of 2021; and (2) the lower gross profit margin of overseas sales of non-proprietary public health protection supplies. Excluding the effects of equity transfer of Yaneng Biotech, the gross profit margin of the medical devices and medical diagnosis segment decreased by 4.86 percentage points on the same basis.

Note 3: The increase in gross profit margin of major products of anti-tumor and immune modulation as compared with the same period last year was mainly due to the revenue growth and gross profit of new products such as Han Qu You and Han Si Zhuang.

Note 4: The increase in gross profit margin of the major products of anti-infection as compared with the same period last year was mainly due to the effect of Comirnaty (mRNA COVID-19 vaccine).

Note 5: The decrease in gross profit margin of the major products of central nervous system as compared with the same period last year was mainly due to the decrease in gross profit margin as a result of the sales decline of Ao De Jin (deproteinized calf blood injection) and the relative rigidity of fixed cost.

Note 6: The decrease in gross profit margin of the major products of cardiovascular system as compared with the same period last year was mainly due to the impact of the increase in the price of front-end raw materials on heparin sodium series preparations and other varieties, and thus the cost of sales rose and the gross profit margin fell.

Note 7: The decrease in gross profit margin in Chinese mainland as compared with the same period last year was mainly due to the increase in unit costs of some products as affected by factors including increase in labor cost and increase in the prices of main raw and auxiliary materials.

Note 8: The increase in revenue and cost of sales in other regions outside Chinese mainland and other countries was mainly due to the contribution from the increase in sales income of Sisram Medical and overseas sales of public health protection supplies; the decrease in gross profit margin as compared with the same period last year was mainly due to the lower gross profit margin of sales of public health protection supplies (non-proprietary products).

(2) Analysis of Production and sales volume

Major products	Unit	Production volume	Sales volume	Inventory	Year-on- year change in production volume (%)	Year-on- year change in sales volume (%)	Year-on- year change in inventory (%)
Comirnaty (mRNA COVID-19 vaccine)	'0,000 doses	N/A	1,554	7	N/A	–30	100
Han Qu You (trastuzumab injection) (converted as 150mg/vial)	'0,000 vials	143	128	29	69	71	105
Han Li Kang (rituximab injection) (converted as 100mg/vial)	'0,000 vials	171	150	45	15	5	87
Jie Bei An (Azvudine tablets) (converted as 1mg/ tablet*35 tablets/bottle)	'0,000 bottles	N/A	674	23	N/A	N/A	N/A

Note: During the Reporting Period, the top five products are: Comirnaty (mRNA COVID-19 vaccine), Han Qu You (trastuzumab injection), Han Li Kang (rituximab injection), Jie Bei An (Azvudine tablets), and heparin series preparations. In particular, the sales of Jie Bei An (Azvudine tablets) commenced in the second half of 2022, so the year-on-year change comparisons are not applicable. Heparin series preparations involve products in multiple dosage forms, and it is impossible to convert products of different dosage forms into corresponding production and sales volume according to the same standard.

(3) Analysis of Cost

Unit: million Currency: RMB

By Segments

By Segments	Cost	Amount for the period	Percentage of the total cost for the period (%)	Amount for the corresponding period of last year	Percentage of the total cost for the corresponding period of last year (%)	Ratio of change for the period as compared with the corresponding period of last year (%)
Pharmaceutical manufacturing	Cost of products	13,840	59.73	13,840	68.42	—
Medical devices and medical diagnosis *(Note 1)*	Cost of products and goods	4,289	18.51	3,042	15.04	40.99
Healthcare services *(Note 2)*	Cost of services	4,945	21.34	3,333	16.48	48.36

Unit: million Currency: RMB

By Products

By Products	Cost	Amount for the period	Percentage of the total cost for the period (%)	Amount for the corresponding period of last year	Percentage of the total cost for the corresponding period of last year (%)	Ratio of change for the period as compared with the corresponding period of last year (%)
Major products of anti-tumor and immune modulation *(Note 3)*	Cost of products	1,074	7.76	829	5.99	29.55
Major products of metabolism and alimentary system	Cost of products	614	4.44	603	4.36	1.82
Major products of anti-infection *(Note 4)*	Cost of products	4,007	28.95	4,952	35.78	–19.08
Major products of central nervous system	Cost of products	101	0.73	98	0.71	3.06
Major products of cardiovascular system	Cost of products	1,364	9.86	1,254	9.06	8.77
Major products of APIs and intermediate products	Cost of products	921	6.65	844	6.10	9.12

Note 1: Mainly due to the revenue growth of the medical devices and medical diagnosis business during the Reporting Period.

Note 2: Mainly due to the growth of the online business and the revenue growth of the offline healthcare services during the Reporting Period.

Note 3: Mainly due to the contribution from the continuously increasing sales of new products and sub-new products such as Han Qu You (trastuzumab injection) and Su Ke Xin (avatrombopag maleate tablets)

Note 4: Mainly due to the year-on-year decrease of the sales of Comirnaty (mRNA COVID-19 vaccine).

(4) Major Customers and Suppliers

Sales to the top 5 customers of the Group amounted to RMB11,078 million, representing 25.20% of the total sales for the year.

Purchases from the top 5 suppliers of the Group amounted to RMB3,201 million, representing 15.60% of the total purchases for the year.

3. Expenses

During the Reporting Period, the sales expense of the Group amounted to RMB9,171 million and the sales expense ratio was 20.93%, representing a decrease of 2.48 percentage points as compared to last year. The main reasons for the year-on-year decrease are as follows: (1) the Group continued to strengthen the control of sales expenses which was effective; (2) the year-on-year decrease in the sales expense ratio of centralized procurement products; and (3) the investment in market development as well as sales team for newly launched products including Han Si Zhuang.

During the Reporting Period, the general and administrative expenses of the Group amounted to RMB3,916 million, representing a year-on-year increase of 18.17%. The main reasons for the year-on-year increase in the general and administrative expense are as follows: (1) effect as a result of the newly acquired companies; and (2) in 2022, the production, supply chain, logistics as well as the number of hospital offline diagnosis and treatment faced temporary pressure, and the related general and administrative expenses increased accordingly.

During the Reporting Period, the R&D expenses of the Group amounted to RMB4,302 million, representing a year-on-year increase of 12.12%. The change in R&D expenses was mainly due to the increase in the R&D expenditures in biopharmaceutical drugs and small molecular innovative drugs, and the increase in R&D expenditures in the innovation incubation platform during the Reporting Period.

During the Reporting Period, the finance expenses of the Group amounted to RMB964 million, representing a year-on-year increase of 17.13%. The change in finance expenses was mainly due to the increase in interest expenses caused by the increase in interest-bearing liabilities during the Reporting Period.

4. R&D Expenditures

Accounting treatment of R&D expenditures

The Group divides expenses for internal R&D projects into expenses in the research phase and expenses in the development phase. Expenses in the research phase are recognized in profit or loss for the period as incurred. Expenses in the development phase may only be capitalized if the following conditions are satisfied simultaneously: the completion of such intangible assets for use or sale is technically feasible; the Company has the intention to use or sell the intangible assets upon completion; the way in which the intangible assets bring economic benefits shows that there exists a consumption market for the products with use of these intangible assets or the intangible assets themselves, or that they are useful in case of internal utilization; the Company has sufficient technological, financial and other resources to complete the development of the intangible assets and the ability to make them available for use or sale; and the expenses attributable to such intangible assets can be measured reliably at the development stage. Development expenses not satisfying all of the above conditions are recognized in profit or loss of the period as incurred. Combining the characteristics of the R&D process of the pharmaceutical industry and of the Group itself, the Group's expenses for its R&D projects may only be accounted for as capitalized R&D expenses if they are incurred after relevant approvals or certificates (Approval for Clinical Trial and Pharmaceutical Product Registration Approval Document based on Measures on the Registration Administration of Medicines (藥品註冊管理辦法) issued by NMPA or approval from international drug regulatory authority on the regulatory market) are obtained, and if the present value of the Company's future cash flow or realizable value resulting from the evaluated project results are higher than the book value. The remainder of the R&D expenses would be expensed.

R&D Expenditures

Unit: million Currency: RMB

R&D expenditures expensed for the year	4,302
R&D expenditures capitalized for the year	1,583
Total R&D expenditures	5,885
Total R&D expenditures as a percentage of revenue (%)	13.39
R&D expenditures in the pharmaceutical manufacturing segment as a percentage of the revenue from the pharmaceutical manufacturing segment (%)	16.54
The number of R&D staff in the Group	3,646
The number of R&D staff as a percentage of the total number ofstaff in the Group (%)	9.50
Percentage of R&D expenditures capitalized (%)	26.90

Descriptions

During the Reporting Period, the R&D expenditures in the pharmaceutical manufacturing segment amounted to RMB5,097 million, representing a year-on-year increase of 13.62%, accounting for 16.54% of the revenue from the pharmaceutical manufacturing segment. In particular, R&D expenses amounted to RMB3,552 million, representing a year-on-year increase of RMB193 million or 5.75%, accounting for 11.53% of the revenue from the pharmaceutical manufacturing segment. The increase in R&D expenditures was mainly due to the increase in the R&D expenditures in biopharmaceutical drugs and small molecular innovative drugs, and increase in R&D expenditures in the innovation incubation platform during the Reporting Period.

5. Cash Flows

Unit: million Currency: RMB

Items	Amount for the period	Amount for the corresponding period of last year	Ratio of Change (%)	Reasons
Net cash flow generated from operating activities	4,218	3,938	7.10	Due to the cash flow contribution from the growth of revenue and recurring income during the Reporting Period
Net cash flow generated from investment activities	–4,064	–3,857	–5.37	Due to the combined effect of investment expenses such as the acquisition of Guangzhou Xinshi Hospital and Daiichi Sankyo (Beijing), as well as the investment income from the disposal of BNTX shares during the Reporting Period
Net cash flow generated from financing activities	4,428	–819	640.66	Due to the increase in net inflows from financing activities of the non-public issuance of A Shares during the Reporting Period

(II) Assets and liabilities analysis

As at 31 December 2022, the gearing ratio, calculated as total interest-bearing bank and other borrowings over total assets, was 27.18%, as compared with 26.28% as at 31 December 2021.

Assets and liabilities

Unit: million Currency: RMB

Items	Amount as at the end of the period	Percentage of the amount as at the end of the period to the total asset (%)	Amount as at the end of last period	Percentage of the amount as at the end of last period to the total assets (%)	Ratio of change for the amount as at the end of the period as compared with the amount as at the end of last period (%)	Reasons
Equity investments designated at fair value through other comprehensive income	15	0.01	30	0.03	–50.00	Mainly due to the changes in the fair value of financial assets during the Reporting Period
Financial assets at fair value through profit or loss — non-current	2,389	2.23	1,206	1.29	98.09	Mainly due to the increase in investment in financial assets during the Reporting Period
Deferred tax assets	443	0.41	266	0.29	66.54	Mainly due to the newly added deferred tax assets of subsidiaries
Other non-current assets	2,957	2.76	2,014	2.16	46.82	Mainly due to the additional royalty payment of subsidiaries
Financial assets at fair value through profit or loss — current	929	0.87	4,241	4.55	–78.09	Mainly due to factors such as the disposal of BNTX shares and the changes in debt instrument investments held by subsidiaries during the Reporting Period
Debt investments at fair value through other comprehensive income	559	0.52	428	0.46	30.61	Mainly due to the increase in discounted bills during the Reporting Period
Cash and bank balances	16,241	15.16	10,317	11.06	57.42	Mainly due to the non-public issuance of A shares of the Company during the Reporting Period
Contract liabilities — current	1,545	1.44	1,154	1.24	33.88	Mainly due to the increase in advances from customers during the Reporting Period
Tax payable	619	0.58	474	0.51	30.59	Mainly due to the increase in income tax payable during the Reporting Period
Lease liabilities — current	184	0.17	141	0.15	30.50	Mainly due to the increase in operating lease assets due within one year
Interest-bearing bank borrowings and other borrowings — non-current	12,100	11.30	9,049	9.70	33.71	Mainly due to the increase in long-term bank borrowings
Contract liabilities — non-current	354	0.33	239	0.26	48.12	Mainly due to the increase in advances from customers during the Reporting Period

(III) Analysis on investments

Major Subsidiaries and Investees

(1) Operation and Results of Subsidiaries

① *Operation and Results of Major Subsidiaries*

Unit: million Currency: RMB

Name of subsidiary	Major business	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Yao Pharma	Pharmaceutical R&D and manufacturing	197	7,364	5,420	5,022	909	805
Wanbang Pharma	Pharmaceutical R&D and manufacturing	492	6,592	3,634	7,941	828	737
Gland Pharma *(Note 1)*	Pharmaceutical R&D and manufacturing	N/A	9,274	7,985	3,371	923	689

Note 1: The data for Gland Pharma is prepared in accordance with Indian Generally Accepted Accounting Principles.

Note 2: The above data included appreciation of asset evaluation and amortization of appreciation of asset evaluation.

② *Status of Other Major Subsidiaries*

Unit: million Currency: RMB

Name of subsidiary	Major business	Registered capital	Total assets	Net assets	Revenue	Net profit
Foshan Fosun Chancheng Hospital *(Note 1)*	Healthcare services	50	3,605	2,028	2,143	111
Sisram Medical *(Note 2)*	Medical devices R&D and manufacturing	N/A	3,870	3,010	2,385	270
Shanghai Henlius *(Note 3)*	Pharmaceutical R&D and manufacturing	543	8,924	1,636	3,215	–695

Note 1: The data for Foshan Fosun Chancheng Hospital included appreciation of asset evaluation and amortization of appreciation of asset evaluation.

Note 2: The data for Sisram Medical is prepared in accordance with International Financial Reporting Standards.

Note 3: The data for Shanghai Henlius is prepared in accordance with International Financial Reporting Standards. Shanghai Henlius published an announcement on the Hong Kong Stock Exchange on 27 March 2023 to disclose its 2022 financial data, the audit work for which had not been completed. After the communication between the management of the Company and the management of Shanghai Henlius, and the communication between the annual audit accountants of the Company and the annual audit accountants of Shanghai Henlius, the following assessment was made: in view of the fact that the amount of the items in Shanghai Henlius's 2022 financial statements in respect of which Shanghai Henlius's annual audit accounts had not yet completed the audit work did not have a significant impact on the Group's 2022 consolidated financial statements; accordingly, the financial data relating to Shanghai Henlius included in the Group's 2022 audited consolidated financial statements were adopted from the 2022 financial data in the aforesaid announcement of Shanghai Henlius.

(2) Operation and Results of Investee Companies whose Profit Contribution and Investment Income More Than 10% of the Group's Net Profit

Unit: million Currency: RMB

Name of the company	Principal activities	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Sinopharm Industrial	Pharmaceutical investment	100	364,719	110,382	552,148	18,470	14,333

(3) Acquisition and Disposal of Subsidiaries during the Reporting Period (including the Purposes, Methods and Effects of the Acquisitions and Disposals and the Effects on the Group's Overall Operation and Results)

① *Acquisition of Subsidiaries during the Reporting Period*

The acquisitions of the subsidiaries during the Reporting Period have had the following effect on the Group's overall operation and results:

Unit: million Currency: RMB

Name of subsidiary	Acquired through	Net assets (as at the end of the Reporting Period)	Net profit (from date of acquisition/ merger up to the end of the Reporting Period)	Date of acquisition/ merger
Guangzhou Xinshi Hospital	Equity transfer	632	(22)	20 January 2022
Shanghai Xingchuang Health	Equity transfer	3	(2)	10 March 2022
Xingmai Technology	Equity transfer	423	(43)	8 August 2022
Beijing Jiluohua	Equity transfer	346	34	25 August 2022
Fuyun Health	Equity transfer	–39	(27)	30 September 2022

Note: The above data included appreciation of asset evaluation and amortization of appreciation of asset evaluation.

② *Disposal of Subsidiaries during the Reporting Period:*

The disposal of the subsidiaries during the Reporting Period have had the following effect on the Group's overall operation and results:

Unit: million Currency: RMB

Name of subsidiary	Disposed through	Net assets as at date of disposal	Net profit from beginning of Reporting Period to date of disposal	Date of disposal
Huanghe Pharma	Equity transfer	30	—	3 January 2022
Xuzhou Fengyouhui	Deregistration	—	—	21 February 2022
Shanghai Transfusion	Equity transfer	58	5	28 February 2022
Xingxiao Medical	Deregistration	—	—	8 October 2022
Shanghai Fosun Biological	Deregistration	—	1	30 November 2022

(IV) Employees and Remuneration Policies

As at the end of the Reporting Period, the Group had a total of 38,399 employees. The employee's remuneration policies of the Group are formulated on the basis of the performance, work experience and salary level prevailing in the market.

THE BOARD'S DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE GROUP

I. Industry Landscape and Trends

In 2023, the pharmaceutical and medical industry in China will still be in an important stage of development and transformation and both tough challenges and opportunities for innovation and internationalization will be presented. In terms of market demand and payment, in view of the accelerated population aging and increased burden caused by disease, as well as the growing awareness in health among residents, the government emphasizes health sector and further increases investment in public health and medical health so as to encourage innovative R&D and development of new treatment technologies from a policy level. The pharmaceutical industry in China will continue to maintain growth outpacing GDP growth. With the population aging and the development of treatment technology, the spectrum of disease also changes. The prevalence and diagnosis rate of tumors and immune system diseases continue to rise. The population of patients with chronic diseases continues to expand, and there are still an enormous amount of clinical treatment needs to be met. These drivers will encourage local companies to firmly follow the path of innovation and transformation, and provide patients with new treatments with higher efficacy and affordability. In terms of industry policies, enterprises are led and encouraged by the State to undergo upgrade and structural optimization in terms of strategic emerging industries, in order to achieve the overall transformation of the local pharmaceutical industry while aiming at high-value innovations and promoting high quality development. In terms of payment policies, the National Medical Insurance Drug Catalogue is further enhanced to include new products into the catalogue at a faster pace, which reflects the policy orientation of innovation accessibility and affordability. Normalized and institutionalized implementation of centralized procurement of drugs in quantity is undertaken and the scope of centralized procurement of high-value medical supplies in quantity is continuously expanded, which further makes scope for medical insurance payment and accelerates the medical insurance coverage of innovative products. The policies continue to support the long-term healthy development of innovative, large-scale domestic pharmaceutical enterprises with international presence. Internet healthcare has received unprecedented attention and development, and the industry will embrace a new era of rapid development of digitalization.

The industry has become more regulated, standardized and professional, with a further rise in level of centralization of the industry. The continuous upgrade of the industry presents pressure and challenges in terms of operations in the transformation process to local enterprises in the short term. Nevertheless, such circumstance will benefit the rapid development of leading enterprises and innovative individual business in the long term. On the other hand, as relatively greater uncertainties lurk within the global economy and international political environment, the international expansion of domestic enterprises will be subject to various challenges. However, as domestic market demand continues to grow at a steady pace, it will be difficult for the trend of transnational information, technology, talents and capital flows to reverse in the long run, which presents the scope of international development for enterprises with independent innovation capabilities. While facing favorable capital market conditions and opportunities in the product market, the international expansion of pharmaceutical enterprises is also consistent with the policy directions of the government's industry plans.

II. Corporate Development Strategies

The Group will commit to its mission of improving human health, adhere to its corporate philosophy of "Innovation for Good Health", and endeavor to capture the momentum presented by the broad pharmaceutical market in China as well as the rapid growth in mainstream markets such as Europe and the U.S. and certain emerging markets. The Group adheres to the development strategies of innovation and transformation, integrated operation and steady development, so as to further enhance its establishment of core competence to improve its operating results. In terms of innovation and internationalization, the Group will continuously enhancing its independent R&D capability and continue to achieve the transformation and practice of global innovative advanced technology by adopting license-in projects, deep incubation and other models to access the global innovative advanced technology so as to facilitate the innovation and transformation and propel the international expansion of the Group. With respect to production and operation, the Group will strengthen the upgrading and optimization of production and manufacturing system, continue to improve supply chain management, promote the consolidation of production resources and realization of star production lines for products within the Group. By taking smart factories as standard, the Group will build new manufacturing bases for preparations and APIs, so as to secure production capacity for newly launched products and key products. At the same time, the Group will continue to promote the transformation and upgrading of the digitalization and the intellectualization of enterprises. In addition, the Group will focus on the construction of an operation system as a healthcare service group to further strengthen its management in the healthcare services segment.

III. Operation Plan

In 2023, the Group will continue to accelerate innovation and vigorously expand into the international market. It will also actively deploy products and technologies in therapeutic areas with greater unmet needs. The Group will strengthen R&D efficiency and optimize its product structure. The Group will enhance its operational efficiency in the healthcare service industry, expand the construction of competitive disciplines, and continue to implement online and offline integration. Meanwhile, the Group will continue to promote lean operations to reduce costs and increase efficiency, and optimize its financial structure.

In order to achieve the above operating objectives, specific strategies and actions include:

Pharmaceutical Manufacturing

In terms of innovative drug business, the Group will continue to optimize its R&D strategy, focus on its competitive resources to ensure the smooth advancement of key projects, and increase international BD cooperation to expand its pipelines and consolidate its dominant position in hematological tumors, solid tumors and other fields. At the same time, the Group will actively promote the overseas export of quality products and promote global simultaneous development. Through innovative global marketing, the Group will strengthen product life cycle management, maximize the commercial value of innovative products, and strive to create a matrix of billion-dollar blockbuster products.

Under the influence of factors such as the normalization of centralized procurement and the restructuring of the global supply chain, in terms of the established medicines manufacturing & supply business, the Group will continue to focus on R&D, industrial collaboration and efficiency improvement. In terms of R&D, the Group will establish R&D projects for first/first three generic drugs, difficult generic drugs and differentiated products, efficiently promote the development of pipeline products, and make deployment in high-end technology platforms such as transdermal patches, orally soluble films, mini-tablets and liposomes. The Group will further deepen the industrial layout, strengthen the integration of APIs and preparations, comprehensively improve operational efficiency, and continuously reduce costs and increase efficiency. In terms of marketing, the Group will actively respond to centralized procurement and accelerate the transformation of the marketing model. Focusing on markets such as the United States, Europe, Africa, the Middle East, India, Southeast Asia, and Latin America, the Group will comprehensively advance its global layout. The Group will also strengthen the development of its talent team, promote the implementation of strategies and create an internationally competitive generic drug industry chain.

In terms of the vaccines business, the Group will continue to enrich the product portfolio of bacterial vaccines, viral vaccines and emerging vaccine technology platforms. The Group will actively promote the phase III clinical trials of 13-valent pneumococcal conjugate vaccine (multivalent combinations), accelerate the marketing progress of rabies vaccine (Vero cell) for human use (freeze dried) and quadrivalent influenza virus lysate vaccine, and orderly advance the R&D of strategic vaccine products in the pipeline. At the same time, the Group will strengthen independent R&D and open cooperation, reinforce the core competitiveness of the vaccine technology platform, and continue to promote the improvement of the production capacity and quality system of the vaccine industry.

Medical Devices and Medical Diagnosis

In terms of the medical devices business, the Group will continue to focus on professional integration and concentration towards independent R&D to make more breakthroughs. Through diversified means including continuous increase in R&D expenditure, license-in and cooperation, and setting up funds, the Group will enrich its business and product layout and further promote the professional and platform development of the medical devices business. In terms of the medical diagnosis business, the Group will continue to deepen the product line portfolios in the construction of product matrix, so as to promote the development, introduction and localization of strategic products and emerging technologies. The Group will foster a closed-loop model in application in order to enhance the competitiveness of the products. The Group will focus on infection, tumor, cerebro-cardiovascular, reproductive, digestion and metabolism, central nervous system and other fields, enrich its product and service mix, and provide customers with comprehensive solutions.

The Group will continue to leverage its strengths in international operations, strategically make active deployment in the field of precision medicine and cutting-edge technology platforms in life sciences, rapidly gain market access through its global license-in capabilities and channels, and reinforce the strategic mergers and acquisitions of leading companies or key technologies in sub-sectors. The Group will continue to create special products to enhance differentiated competitiveness, maintain industry foresight and strengthen brand building. It will also continue to enhance the competitiveness of overall clinical solutions to achieve the business growth of the medical devices and medical diagnosis segment.

Healthcare Services

Based on its existing digital platforms and medical resources, in terms of the healthcare services business, the Group will continue to deepen its business deployment in the fields of medical centers and regional medical institution alliance, specialized medical care and insurance empowerment. It will continue to integrate online and offline services, improve specialized service capabilities and a full life cycle management system based on patients' disease process, and accelerate the implementation of the active health management model (FHMO) that integrates medicine and healthcare. The Group will continue to strengthen its core capabilities, consolidate its doctor resource system, optimize its special supply chain, and enhance the operational efficiency of its platforms, with a view to achieving the goal of providing users with a one-stop healthcare service based on medical-grade trust and a full-cycle closed-loop solution as early as possible.

Pharmaceutical Distribution and Retail

In 2023, the Group will continue to support and facilitate consolidation and rapid development of Sinopharm in its pharmaceutical and medical devices distribution business and the continued expansion of the competitive advantages of Sinopharm in the pharmaceutical and medical devices distribution sectors.

Financing

In 2023, the Group will continue to explore the financing channels domestically and internationally, optimize its financial structure, and put the liability size and comprehensive financing costs under control.

With the organic growth of the Group and the steady growth in the industry consolidation, the Group expects to invest approximately RMB3 billion for production capacity expansion, plant relocation, the development of GMP and reconstruction and expansion of hospitals in 2023. Primary sources of funding will include, among others, the Group's own capital, cash flow from operating activities, and proceeds from debt financing and equity financing.

IV. Potential Risks

(I) Risks in relation to industry policies and system reforms

The pharmaceutical industry is one of the industries most affected by national policies in the PRC, involving various government departments, ministries and commissions and institutions such as national medical insurance, health, drug supervision and administration, industrialization and informatization, technology and intellectual property rights. With the intensified efforts in the reform of drug production and manufacturing, medical health and medical protection, the pharmaceutical market environment continues changing significantly, and innovative transformation, industry consolidation and transformation in business models are inevitable. As the connection between the elements in "Three Medical Linkages" grow stronger, the promotion and implementation of policies on national and regional centralized procurement in quantity for drugs, rational use of drugs, restriction on adjuvant drugs and new policies including medical expense growth control, price and payment method adjustments for medical insurance payments, National Essential Medicine List adjustments, tendency to innovative medicine with high cost efficiency in the Medical Insurance Catalogue and biosafety and environmental protection affect the production costs and profitability of the entire pharmaceutical industry and have brought about a renovated competitive structure to the industry.

With respect to medical devices and medical diagnosis, the policies encourages the integration of the company's resources and advantage complementation, and putting innovation as the development focus, which intensifies the support for the R&D and innovation of high-end devices, and thus the technology levels of clinical products are continually improved. The centralized procurement in quantity for high-value consumables brings about a drastic change in the supply side. The demand for remote intelligence, internet-based medical equipment and service mode is significant. The equipment installation of primary hospitals is much more funded and the needs for the enhancement of the public health system and establishment of a contingency mechanism obviously drive the development of the industry.

In the field of medical services, it requires more strategic and diversified thinking on how socially-organized medical institutions can achieve closer cooperation, differentiated development and collaborative expansion with the mainstay of healthcare services to explore new areas of healthcare services. Internet healthcare-related policies have been quickly improved and standardized, which advances the new stage of healthcare service industry development from the mode of solely offline services into an integrated business of both online and offline services.

In this regard, the Group will closely monitor and conduct research on the policy trends of related industries, keep abreast of the development trends of the industry, continuously improve business management, and aims to fully reduce the business risks caused by policy changes.

(II) Market risks

With the deepening reform of the medical system, the State introduced centralized bidding, zero mark-up and differential pricing as price management systems as well as provisional measures for price management of the circulation links of drugs that are mainly guided by price reduction. Comprehensive adjustments have been made to the drug prices included in the scope of government pricing.

In the field of innovative drugs, since the market size of generic drugs has been drastically shrunk, numerous generic drugs companies seek transformation. With China's entry into the ICH (i.e. The International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use) and the domestic drug review and approval system being gradually brought into line with international standards, more and more innovative drugs are being marketed at a faster pace. The internal competition among local innovative pharmaceutical companies has been increasingly fierce, and at the same time, they are also facing competition from international pharmaceutical companies. In the field of generic drugs, with the gradually tighter control policy on medical insurance payments, the advancement of consistency evaluation of generic drugs, and the implementation of centralized procurement of drugs in quantity, the existing situation in the generic drugs industry with an excessive number of pharmaceutical manufacturing companies, a fragmented market and low market concentration will change. There will be further concentration in the industry. With the progressing supply-side reforms, the market shares and profit margins of generic pharmaceutical products will be subject to further pressure.

In addition, the competition for generic drugs in the overseas markets, mainly in the U.S., is fierce, and drug regulatory agencies implemented increasingly stringent requirements on production quality. These factors constitute unavoidable risks during the deepening of internationalization. In emerging markets such as Africa, more and more Indian generic drugs companies have joined the competition, resulting in intensified price pressure on government tenders, as well as increasing risk of competition.

In this regard, the Group will keep abreast of the change in development trend of the industry, strengthen innovation R&D investment, enrich product lines, optimize product structure, and enhance the R&D efficiency. At the same time, the Group will enhance the benefits from economies of scale, and actively reduce costs and increase productivity for production. In terms of marketing, the Group will increase efforts in market development and enhance the marketability of products, so as to expand market coverage.

(III) Business and operating risks

1. R&D risk of drugs

Drugs must undergo processes ranging from preclinical research, clinical trials, application for registration and approval for production during the R&D stage to marketing stage, and drug R&D is characterized by large investment, long cycles, and high risks, etc. Drug R&D is also susceptible to unpredictable factors. In addition, if the R&D of drugs does not match future market demand, or if the sales of the new drugs are not sufficient due to intensified competition and other factors, the recovery of the initial investment and the realization of economic benefits may be affected, which will in turn adversely affect the profitability and development of the Group.

In this regard, the Group will continue to strengthen its project and early research capabilities, establish a lean R&D process and concept, and improve R&D efficiency and output with an effective reward and punishment mechanism. In addition, the Group will further strengthen the construction of BD and clinical registration teams, introduce and develop product pipelines with high clinical value and strong innovative attributes, and accelerate the approval for launch of innovative products,; at the same time actively explore the application of new technologies and FIC targets through various modes, including self-incubation, to expand the technology platform layout.

2. *Control risk of product/service quality*

Pharmaceutical products, medical devices and diagnostic products are special commodities, and the society pays a great deal of attention to their quality. The Group has been continuously increasing its management efforts and investment in technological transformation in terms of quality management. The technology and equipment standards of subsidiaries have been significantly improved. However, due to the many production stages for pharmaceutical products, quality issues may arise due to raw materials, production, transportation, storage, use and other matters. Meanwhile, the Group has formulated corresponding management measures and established management agencies to ensure that the procurement, inventory, preparation, and sales of pharmaceuticals, medical devices, and diagnostic products comply with GMP and relevant requirements and operate in accordance with the laws. However, there may still be the possibility that the relevant operating entities will be punished for failing to strictly abide by relevant national laws and regulations due to various reasons such as poor management in the actual course of operation.

The healthcare services segment may be subject to risks of medical malpractice claims or disputes, including complaints and disputes between doctors and patients arising from surgical errors, medical misdiagnosis and incidents relating to defects of treatment and diagnostic devices. In the event of serious medical malpractice, relevant compensation and loss may be incurred by the Group, which may in turn affect the operation results, brand and market reputation of the Group's healthcare services segment.

In this regard, the Group will continue to focus on quality and risk management throughout the life cycle of its products, and implement quality and safety control mechanisms and pharmacovigilance mechanism. Meanwhile, taking lean operations as a means, and on the basis of developing medical service segment, the Group will focus on the construction of disciplines and improving the quality of operations.

3. *Safety and environmental risks*

Manufacturing companies are also exposed to safety and environmental risks during the production process. In the process of production of drugs, medical devices and diagnostic products, because of the dangerous chemical substances involved in the bulk drug, improper operation or inadequate maintenance measures during loading, unloading, handling, storage and use may cause production safety incident. Residue, waste gas, waste liquid and other pollutants produced during the manufacturing of products or provision of healthcare services will be harmful to the nearby environment if they are not treated properly, which in turn will affect the normal production and operation of the Group. Despite the strict compliance by the Group of the relevant environmental protection laws, regulations and standards for its waste treatment and emission of residue, waste gas and waste liquid meeting environmental standards, the environmental protection costs incurred by the Group may increase in light of the enhanced social awareness on environmental protection over time, and the potential implementation of more stringent environmental protection laws and regulations by central and local government.

In this regard, the Group will continuously strengthen production safety management, reinforce staff training and implement relevant safety production measures to reasonably control risks. Meanwhile, the Company will attach importance and fulfill its social responsibility for environmental protection, increase investment in environmental protection and ensure the normal operation of environmental protection facilities and that the target of emissions is met.

(IV) Management risks

1. Risks of internationalization

The Group may face various problems during the implementation of its internationalization strategy, including unfamiliarity with the overseas regulatory environment and markets, difference in the demands between overseas and domestic customers, and implementation of trade protection policies in certain countries. At the same time, with the further expansion of the Group's global sales network, the scale of sales and the scope of business, there will be higher requirements on the operating and management ability of the Group. If the Group's capability regarding production, marketing, quality control, risk management, compliance with integrity, data protection and talent training does not align with the development pace of the internationalization of the Group or the requirement for the expansion of the Group, the Group will be exposed to operating and management risks.

2. Risks arising from mergers, acquisitions and restructuring

The Group may be confronted with legal, policy and operating risk exposures during the process of mergers, acquisitions and business consolidations. Upon completion of acquisitions, the requirements on the operation and management of the Group will become higher. If mergers and acquisitions cannot bring about a synergistic impact, the operating results of the Group may be adversely affected.

(V) Foreign exchange risk

With the implementation of internationalization strategies, the Group continued to expand its operation scale, and the proportion of purchases, sales, and mergers and acquisitions denominated in foreign currencies has continued to increase. Changes in exchange rates will affect the value of assets and liabilities denominated in foreign currencies and the value of overseas investment entities, thereby indirectly causing changes in the Group's income or cash flow over a period of time. With the continuous deepening of the reform of exchange rate marketization, the exchange rate between the RMB and other convertible currencies fluctuates in a greater range during the exchange rate settlement process and therefore brings the risk of greater exchange rate fluctuations.

(VI) Force majeure risks

Severe natural disasters and abrupt public health incidents may harm the properties and personnel of the Group, and may affect the ordinary production and operation of the Group.

OTHER EVENTS

I. Non-public Issuance of A Shares

On 27 July 2021, the CSRC issued the "Approval in relation to the Non-public Issuance of Shares by Shanghai Fosun Pharmaceutical (Group) Co., Ltd." (Zheng Jian Xu Ke [2021] No. 2501) to approve the Company to undertake the non-public issuance of not more than 128,144,927 new shares (A Shares). The approval shall be valid for a period of 12 months from the date of the approval (i.e. 27 July 2021).

On 20 July 2022, the Company and 10 subscribers (including equity investment fund management companies, securities companies, asset management companies, qualified foreign institutional investors and other qualified investors which meet the requirements of the CSRC) of the Non-public Issuance entered into the share subscription agreement in relation to the Non-public Issuance. The issuance price of the Non-public Issuance was RMB42.00 per share (while the A Share closing price of the trading day (i.e. 12 July 2022) prior to the price determination date was RMB46.82), and the total number of newly issued A Shares of the Company was 106,756,666 shares, raising gross proceeds of RMB4,483,779,972.00. After deducting the issuance expenses, the net proceeds amounted to RMB4,456,198,748.52, which was verified and confirmed by the Capital Verification Report (Ernst & Young Hua Ming (2022) Yan Zi No. 60469139_B01) issued by Ernst & Young Hua Ming LLP (Special General Partnership) on 22 July 2022.

On 27 July 2022, the share registration of the newly issued 106,756,666 A Shares of the Non-public Issuance was completed at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited. The Non-public Issuance will facilitate the Group to promote the R&D of new drugs, to consolidate production capacity and to continuously optimize the Group's financial structure.

II. Existing Corporate Bonds

In February 2022, according to the resolution at the 2022 first bondholders' meeting of the Public Issuance of the Second Tranche of Corporate Bonds (Type 2) of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. in 2018 (18 Fosun Pharma 03) (上海復星醫藥(集團)股份有限公司2018年公開發行公司債券(第二期)(品種二)(18復藥03)), such corporate bonds were delisted as the Company completed the payment of the remaining principal of RMB8.95 million of such corporate bonds and paid the corresponding interest during the period from 30 November 2021 to 15 February 2022 (both dates inclusive).

In March 2022, the payment of the remaining principal of RMB1,091.95 million and the interest for the last tranche of the Public Issuance of Corporate Bonds (First Tranche) of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. to Qualified Investors in 2017 (17 Fosun Pharma 01) (上海復星醫藥(集團)股份有限公司2017年公開發行公司債券(面向合格投資者)(第一期)(17復藥01)) was completed and the related bonds were delisted.

In November 2022, the payment of the remaining principal of RMB240 million and the interest for the last tranche of the Public Issuance of the Second Tranche of Corporate Bonds (Type 1) of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. in 2018 (18 Fosun Pharma 02) (上海復星醫藥(集團)股份有限公司2018年公開發行公司債券(第二期)(品種一)(18復藥02)) was completed and the related bonds were delisted.

III. Issuance of Inter-bank Market Debt Financing Instruments

In March 2022, the Company completed the issuance of the first tranche of the medium-term notes for 2022. The actual total issuance size was RMB500 million at a final coupon rate of 3.50% and with a term of 2+2 years.

In April 2022, the Company completed the issuance of the first tranche of the super short-term commercial paper for 2022. The actual total issuance size was RMB600 million at a final coupon rate of 2.65% and with a term of 120 days.

IV. Approval for Registration of Inter-bank Market Debt Financing Instruments

In July 2022 and August 2022, the NAFMII issued the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2022] No. SCP230) (《接受註冊通知書》(中市協註[2022]SCP230號)) and the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2022] No. MTN716) (《接受註冊通知書》(中市協註[2022]MTN716號)), respectively, for acceptance of the registration of the super short-term commercial paper and medium-term notes of the Company. The registered amount for the super short-term commercial paper and medium-term notes is RMB6,000 million and RMB4,000 million, respectively. Such registered amount shall be effective for 2 years commencing from 14 July 2022 and 12 August 2022, respectively, and may be issued in tranches within the effective registration period..

As at the end of the Reporting Period, no super short-term commercial paper or medium-term notes have been issued by the Company under the above-mentioned registered amount.

V. Shareholding Reduction of the Controlling Shareholder

On 2 September 2022, the Company received a written notification by Fosun High Tech, the controlling shareholder of the Company that Fosun High Tech proposed to reduce its shareholding of A Shares not exceeding 3% of the Company's total share capital, of which: it proposed to reduce its shareholding of A Shares not exceeding 1% of the Company's total share capital during the period from 27 September 2022 to 26 March 2023 (both dates inclusive) through centralized price bidding, and to reduce its shareholding of A Shares not exceeding 2% of the Company's total share capital during the period from 8 September 2022 to 7 March 2023 (both dates inclusive) through block trade.

On 24 October 2022, the Company received a written notification from Fosun High Tech that from 14 September 2022 to 30 September 2022 (both dates inclusive), Fosun High Tech, under the shareholding reduction plan, reduced its shareholding of a total of 39,106,635 A Shares (among which, a total of 26,696,535 A Shares, representing approximately 1.00% of the total share capital of the Company as at 24 October 2022 (i.e. 2,669,655,211 Shares, same as below) were reduced through centralized price bidding; a total of 12,410,100 A Shares, representing approximately 0.46% of the total share capital of the Company as at 24 October 2022 were reduced through block trade). Apart from the shareholding reduction plan, from 30 September 2022 to 11 October 2022 (both dates inclusive), Fosun High Tech, through centralized price bidding, reduced its shareholding of a total of 13,392,700 A Shares (representing approximately 0.50% of the total share capital of the Company as at 24 October 2022). In addition, Fosun High Tech decided to terminate the shareholding reduction plan ahead of schedule on 24 October 2022, and undertook not to reduce its shareholding in the Company within one year from 24 October 2022.

As at 24 October 2022, Fosun High Tech directly held a total of 957,129,455 Shares of the Company, including 885,595,955 A Shares and 71,533,500 H Shares.

VI. Voluntary Increase in Shareholding by Directors and Senior Management of the Company

On 6 September 2022, the Company received a written notification from executive Directors and some senior management of the Company, totaling 18 persons (the "Shareholding Increase Participants"). The Shareholding Increase Participants would voluntarily increase their shareholding of not less than 460,000 Shares of the Company (including A Shares and/or H Shares) with their own funds during the 15 trading days from 7 September 2022 (inclusive) through ways permitted by the trading system of the Shanghai Stock Exchange (including Hong Kong Stock Connect) and the trading system of the Hong Kong Stock Exchange.

As at 28 September 2022, the period of the above Share increase plan was lapsed. The Shareholding Increase Participants increased their shareholding of a total of 475,300 Shares of the Company, representing approximately 0.0178% of the total share capital of the Company as at 28 September 2022 (i.e. 2,669,655,211 Shares).

VII. 2022 Restricted A Share Incentive Scheme

The 2022 Restricted A Share Incentive Scheme was approved by the Shareholders of the Company at each of the extraordinary general meeting, the A Shareholders class meeting and the H Shareholders meeting ("General Meetings") held on 29 November 2022, respectively. Pursuant to the 2022 Restricted A Share Incentive Scheme, the Company proposed to grant up to 3,434,300 restricted Shares to the participants. Among which, up to 2,747,500 restricted A Shares were proposed to be granted to 143 participants at the price of RMB21.29 per share under the first grant, and up to 686,800 restricted Shares were reserved for further grant.

On 1 December 2022, as 5 proposed participants ceased to be employed by the Group and no longer fell within the scope of the participants, the Board resolved, under the authorization of the above-mentioned General Meetings, to adjust the list of participants and the number of restricted A Shares involved in the first grant of the 2022 Restricted A Share Incentive Scheme. The Board also resolved to grant a total of 2,706,400 restricted A Shares to 138 proposed participants under the first grant on 1 December 2022, as the grant date, at the grant price of RMB21.29 per share.

As disclosed in the announcement of the Company dated 14 December 2022, except for 12 participants (who were granted a total of 205,000 restricted A Shares) who voluntarily decided not to participate in the first grant, 126 participants had accepted and subscribed for a total of 2,501,400 restricted A Shares granted to them under the first grant. The share registration of those newly issued Shares have been completed on 13 December 2022 at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited.

VIII. 2022 H Share Employee Share Ownership Scheme

The 2022 H Share Employee Share Ownership Scheme was approved by the Shareholders of the Company at the extraordinary general meeting held on 29 November 2022. On 13 December 2022, the first holders meeting was held, where a resolution on the establishment of the management committee of the 2022 H Share Employee Share Ownership Scheme, a resolution on the election of members of the management committee, a resolution on the authorization to the management committee to handle matters relating to the 2022 H Share Employee Share Ownership Scheme, and the Management Measures for Shanghai Fosun Pharmaceutical (Group) Co., Ltd. 2022 H Share Employee Share Ownership Scheme were considered and approved.

The upper limit of the size of funds under the 2022 H Share Employee Share Ownership Scheme is RMB73,462,500, the source of which is the Company's funds designated for incentive purposes. The 2022 H Share Employee Share Ownership Scheme is denominated in "unit", each being RMB1 in value, i.e. the maximum number of units under the Scheme is 73,462,500 units. The Company appointed Changjiang Pension, through the Changjiang Pension Employee Share Ownership Product, to complete the acquisition of the H Shares under the 2022 H Share Employee Share Ownership Scheme in the secondary market through the Shanghai-Hong Kong Stock Connect.

Based on the actual grant results of the 2022 H Share Employee Share Ownership Scheme, the size of funds of the first grant is RMB53,500,000 and the upper limit of the size of funds under the reserved grant (not yet granted as at the end of the Reporting Period) remains at RMB14,692,500. As at 29 December 2022, the acquisition of relevant H Shares under the 2022 H Share Employee Share Ownership Scheme was completed, in aggregate involving 2,837,000 H Shares of the Company, representing 0.11% of the total share capital of the Company (i.e. 2,672,156,611 Shares) and 0.51% of the total share capital of H Shares (i.e. 551,940,500 Shares) as at 29 December 2022, respectively. The total trading amount was approximately HK$74.87 million (excluding trading fees) and the average trading price was HK$26.39 per share. The remaining capital of the Changjiang Pension Employee Share Ownership Product will be used for liquidity management. Those H Shares were locked up in accordance with the rules with a 12-month lock-up period, from 29 December 2022 to 28 December 2023.

Five-Year Statistics

Unit: million Currency: RMB

Year	2018	2019 (Restated)	2020 (Restated)	2021 (Restated)	**2022 (Restated)**
Operating Results					
Revenue	24,714	28,389	30,167	38,864	**43,811**
Profit for the year	3,020	3,744	3,938	4,976	**3,954**
Profit for the year attributable to owners of the parent	2,708	3,322	3,662	4,729	**3,737**
EBITDA	5,856	7,121	7,285	8,814	**8,041**
Proposed final dividend (in RMB Yuan)	0.32	0.39	0.43	0.56	**0.42**
Earnings per share (in RMB Yuan)					
Earnings per share — basic	1.07	1.30	1.43	1.85	**1.43**
Earnings per share — diluted	1.07	1.30	1.43	1.85	**1.43**
Equity					
Total equity	33,536	39,151	45,932	48,323	**54,058**
Equity attributable to owners of the parent	27,921	31,834	36,944	39,139	**44,532**
Equity per share attributable to owners of the parent	10.89	12.42	14.41	15.27	**16.67**
Debt					
Total debt	23,203	21,691	22,965	24,509	**29,116**
Gearing ratio (%)	32.91%	28.52%	27.46%	26.28%	**27.18%**
Interest coverage (times)	6.30	6.62	8.27	10.41	**7.94**
Assets					
Cash and bank balances	8,547	9,537	9,971	10,317	**16,241**
Property, plant and equipment	9,218	10,721	12,580	13,012	**15,719**
Prepaid land lease payments	1,523	—	—	—	**—**
Right-of-use asset	—	2,455	2,666	2,570	**2,837**
Investments in joint ventures	447	381	382	283	**231**
Investments in associates	20,924	20,492	21,871	22,344	**22,863**
Available-for-sale investments	—	—	—	—	**—**
Equity investments at fair value through profit or loss	—	—	—	—	**—**
Financial assets at fair value through profit or loss — non-current	2,506	1,983	1,461	1,206	**2,389**
Financial assets at fair value through profit or loss — current	616	457	1,970	4,241	**929**
Equity investments designated at fair value through other comprehensive income	126	108	1	30	**15**
Segment net profit					
Pharmaceutical manufacturing	1,755	2,073	2,355	2,630	**3,419**
Medical devices and medical diagnosis	440	495	907	2,000	**771**
Healthcare service	209	1,559	109	(433)	**(792)**
Pharmaceutical distribution and retail	1,515	1,634	1,807	1,948	**2,114**

EBITDA = profit before tax + finance costs + depreciation and amortization

Report of the Directors

The Directors are pleased to present their 2022 report and the audited consolidated financial statements of the Company for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Group's scope of business is strategically organized along the pharmaceutical and healthcare industry chain, with a focus on the domestic market while expanding globally. Businesses directly operated by the Group include pharmaceutical manufacturing, medical devices and medical diagnosis and healthcare service. The Group also has a presence in pharmaceutical commerce through its investment in Sinopharm.

Details of the principal activities of the Group's principal subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

BUSINESS REVIEW

A review of the business of the Group in 2022 and a discussion and analysis of the material factors underlying the Group's performance, results and financial position during the year are provided in the sections headed "Financial Review" and "Business Review" in the Management Discussion and Analysis in this annual report, respectively. Description of the major risks and uncertainties confronted by the Group can be found throughout this annual report, particularly in the section headed "Potential Risks" in the Management Discussion and Analysis in this annual report. Particulars of important events affecting the Group that have occurred since the end of the Reporting Period, can also be found in the note 52 to financial statements. The outlook of the Group's business is discussed throughout this annual report including the Chairman's Statement and the section headed "The Board's Discussion and Analysis on Future Development of the Group" in the Management Discussion and Analysis in this annual report.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2022 and the financial position of the Group at that date are set out in the financial statements and the accompanying notes on pages 197 to 337.

The Board has proposed the 2022 Final Dividend of RMB0.42 per share, before tax, for the year ended 31 December 2022, which will be subject to the approval by the Shareholders at the forthcoming annual general meeting of the Company.

The Company will dispatch a circular containing, inter alia, further information relating to the proposed distribution of the 2022 Final Dividend and the forthcoming annual general meeting of the Company to Shareholders as soon as practicable.

PROFIT DISTRIBUTION PLAN

According to the Articles of Association, the Company may distribute its profit by means of cash, shares or a combination of cash and shares. If the Company satisfies the conditions for cash dividends, priority should be given to profit distribution by means of cash dividends. The Company makes a profit distribution each year in principle, and the Board may propose to distribute interim cash dividends under the circumstances of the Company. Under the circumstances that the profit of the year and the accumulated undistributed profit are both positive, the cash dividends for the year of the Company should not be less than 10% of the distributable profit realized for the year in principle if the Company does not have any major investment plans or (plan to) incur any significant cash expenses. The specific plan for distribution shall be decided by the Shareholders at the general meeting according to the Company's actual operation status of the year. The Board shall comprehensively take account of the features of the industry where the Company operates, its stage of development, its own business model, profitability and factors such as whether there is significant capital expenditure arrangement, when distinguishing the following situations and forming different cash dividend distribution plans:

(a) If the Company is at the mature stage of development and has no significant capital expenditure arrangements, the proportion of cash dividends shall be at least 80% of the profit distribution;

(b) If the Company is at the mature stage of development and has significant capital expenditure arrangements, the proportion of cash dividends shall be at least 40% of the profit distribution;

(c) If the Company is at the growth stage and has significant capital expenditure arrangement, the proportion of cash dividends shall be at least 20% of the profit distribution.

If it is difficult to distinguish the Company's stage of development but there is significant capital expenditure arrangement, the profit distribution may be dealt with pursuant to the rules in the preceding paragraph.

THE WITHHOLDING AND PAYMENT OF ENTERPRISE INCOME TAX FOR NON-RESIDENT ENTERPRISE SHAREHOLDERS AND OF PERSONAL INCOME TAX FOR INDIVIDUAL SHAREHOLDERS

According to the requirements of the PRC Enterprise Income Tax Law effective from 1 January 2008 and the implementation rules thereof, the Decision of the Standing Committee of the National People's Congress on Amending the Enterprise Income Tax Law of the PRC (《全國人民代表大會常務委員會關於修改〈中華人民共和國企業所得税法〉的決定》) effective from 24 February 2017 and the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders which are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》(國税函[2008]897號)) issued by the State Taxation Administration on 6 November 2008, the 2022 Final Dividend payable to the non-resident enterprise shareholders whose names appear on the registers of members of H shares of the Company is subject to a withholding tax at a rate of 10%.

Any shares registered in the name of the non-individual registered shareholders, including HKSCC Nominees Limited, other nominees or trustees and other groups and organizations will be treated as being held by non-resident enterprise shareholders and therefore will be subject to the withholding of the enterprise income tax at the rate of 10%.

According to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《關於國税發[1993]045號文件廢止後有關個人所得税徵管問題的通知》(國税函[2011]348號)) issued by the State Taxation Administration on 28 June 2011 and the Letter on the Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies issued by the Hong Kong Stock Exchange on 4 July 2011, when domestic companies other than foreign- invested enterprises which issue shares in Hong Kong distribute dividends to their shareholders, the individual shareholders in general will be subject to a withholding of individual income tax at a rate of 10%. When the Company distributes the 2022 Final Dividend to the individual holders of H shares, such dividend will be subject to the withholding of individual income tax at a rate of 10%. However, if otherwise provided by tax laws, relevant tax treaties or notices, the tax will be withheld in accordance with the relevant requirements and tax levy and administration requirements.

For investors of the Shanghai Stock Exchange and Shenzhen Stock Exchange (including enterprises and individuals) investing in the H shares listed on the Hong Kong Stock Exchange (the "Southbound Trading"), the cash dividends for investors of H shares of Southbound Trading will be paid in RMB. The relevant taxation policies are as follows:

Shanghai-Hong Kong Stock Connect: the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the investors of H shares for Shanghai-Hong Kong Stock Connect, will receive the cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H shares of Shanghai-Hong Kong Stock Connect through its depositary and clearing system. Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Caishui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關税收政策的通知》(財税[2014]81號)), for dividends received by mainland investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by mainland securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold or pay the income tax of dividends for mainland enterprise investors and those enterprise investors shall report and pay the relevant tax themselves.

Shenzhen-Hong Kong Stock Connect: the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the investors of H shares for Shenzhen-Hong Kong Stock Connect, will receive the cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H shares of Shenzhen-Hong Kong Stock Connect through its depositary and clearing system. Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Caishui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關税收政策的通知》(財税[2016]127號)), for dividends received by mainland investors from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by mainland securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold or pay the income tax of dividends for mainland enterprise investors and those enterprise investors shall report and pay the relevant tax themselves.

AGM AND CLOSURE OF REGISTER OF MEMBERS OF H SHARES

The notice of the forthcoming annual general meeting of the Company will be published and dispatched to Shareholders in accordance with the requirements of the Hong Kong Listing Rules and the Articles of Association. The Company will announce the period of closure of register of members of H Shares in the notice of annual general meeting to be issued or the announcement to be otherwise issued.

SUMMARY FINANCIAL INFORMATION

A summary of the financial information for the last five financial years, as extracted from the audited financial statements (restated/reclassified as appropriate) is set out in the section headed "Five-Year Statistics" in this annual report.

ISSUED CAPITAL

Details of movements in the Company's share capital during the Reporting Period are set out in note 38 to the financial statements.

SUBSIDIARIES

Particulars of the names, places of incorporation and issued/registered share capital of the Company's principal subsidiaries are set out in note 1 to the financial statements.

ISSUANCE OF DEBENTURES

During the Reporting Period, the Group issued a tranche of medium-term notes and a tranche of super short-term commercial paper. Please refer to the section headed "Other Events" in the Management Discussion and Analysis.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Non-public issuance of A Shares

Pursuant to the "Approval in relation to the Non-public Issuance of Shares by Shanghai Fosun Pharmaceutical (Group) Co., Ltd." (Zheng Jian Xu Ke [2021] No. 2501) issued by the CSRC on 27 July 2021, the Company entered into the share subscription agreement with the non-public issuance subscribers on 20 July 2022 to issue an aggregate of 106,756,666 new A Shares. The gross proceeds raised from the Non-public Issuance were RMB4,483,779,972.00, and the net proceeds amounted to RMB4,456,198,748.52 after deducting the issuance expenses. The share registration of the newly issued 106,756,666 A Shares of the Non-public Issuance were completed with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 27 July 2022, and were listed and traded on 23 January 2023.

2022 Restricted A Share Incentive Scheme

The 2022 Restricted A Share Incentive Scheme was approved by the Shareholders of the Company at each of the extraordinary general meeting, the A Shareholders class meeting and the H Shareholders class meeting held on 29 November 2022, respectively. On 1 December 2022, the Board resolved to grant a total of 2,706,400 restricted A Shares to 138 proposed participants under the first grant on 1 December 2022, as the grant date, at the grant price of RMB21.29 per share. As disclosed in the announcement of the Company dated 14 December 2022, except for 12 participants (who were granted a total of 205,000 restricted A Shares) who voluntarily decided not to participate in the first grant, 126 participants had accepted and subscribed for a total of 2,501,400 restricted A Shares granted to them under the first grant. The share registration of those newly issued Shares have been completed on 13 December 2022 at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited.

Sell back of "21 Fosun 01" Corporate Bonds

The total initial offering size of "21 Fosun 01" ("21復藥01") corporate bonds was RMB1,600 million. The bondholders exercised their put option at the end of the second interest-bearing year during the term of such corporate bonds according to the right of adjustment to the coupon rate of the issuer and investors' put option as provided in the "Offering Memorandum for the Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors in 2021 by Shanghai Fosun Pharmaceutical (Group) Co., Ltd."《上海復星醫藥(集團)股份有限公司2021年公開發行公司債券(第一期)募集説明書(面向專業投資者)》. Such sell back amounted to RMB1,600 million. As at 1 March 2023, the full amount of such bonds was registered for selling back and has not been resold. Such bonds was cancelled in full amount and delisted on 13 March 2023.

Save as disclosed above, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's listed securities during the period from 1 January 2022 to the date of this report.

DISTRIBUTABLE RESERVES

The amount of the Company's reserves available for distribution as at 31 December 2022, calculated in accordance with PRC rules and regulations, was RMB11,687 million.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the total purchases attributable to the Group's five largest suppliers were less than 30%, and the total turnover attributable to the Group's five largest customers was less than 30%.

DIRECTORS

As at the end of the Reporting Period, the Board consisted of 12 Directors. The Directors are as follows:

Executive Directors

Mr. Wu Yifang (吳以芳) *(Chairman)*
Mr. Wang Kexin (王可心) *(Co-Chairman)*
Ms. Guan Xiaohui (關曉暉) *(Vice Chairman)*
Mr. Wen Deyong (文德鏞) *(Chief Executive Officer)*

Non-executive Directors

Mr. Chen Qiyu (陳啟宇)
Mr. Yao Fang (姚方)
Mr. Xu Xiaoliang (徐曉亮)
Mr. Pan Donghui (潘東輝)

Independent non-executive Directors

Ms. Li Ling (李玲)
Mr. Tang Guliang (湯谷良)
Mr. Wang Quandi (王全弟)
Mr. Yu Tze Shan Hailson (余梓山)

As the term of office of the eighth session of the Board expired in June 2022, at the annual general meeting held on 1 June 2022, the Shareholders approved the re-election of Mr. Wu Yifang, Mr. Wang Kexin and Ms. Guan Xiaohui as executive Directors of the ninth session of the Board, the re-election of Mr. Chen Qiyu, Mr. Yao Fang, Mr. Xu Xiaoliang and Mr. Pan Donghui as non-executive Directors of the ninth session of the Board, and the re-election of Ms. Li Ling, Mr. Tang Guliang, Mr. Wang Quandi and Mr. Yu Tze Shan Hailson as independent non-executive Directors of the ninth session of the Board. On 1 June 2022, Mr. Wu Yifang was re-appointed as the chairman of the ninth session of the Board, Mr. Wang Kexin was appointed as the co-chairman of the ninth session of the Board and Ms. Guan Xiaohui was re-appointed as the vice chairman of the ninth session of the Board.

At the 2022 first extraordinary general meeting held on 10 August 2022, a resolution in relation to proposed amendments to the Articles of Association was duly passed. The amendments stipulate, amongst other things, that the Board comprises twelve Directors. At that extraordinary general meeting, Mr. Wen Deyong was duly elected by the Shareholders as an executive Director of the ninth session of the Board.

SUPERVISORS

As at the end of the Reporting Period, the Supervisors were as follows:

Ms. Ren Qian (任倩) *(Chairman)*
Mr. Cao Genxing (曹根興)
Mr. Guan Yimin (管一民)

As the term of office of the eighth session of the Supervisory Committee of the Company expired in June 2022, at the annual general meeting held on 1 June 2022, Mr. Cao Genxing and Mr. Guan Yimin were re-elected by the Shareholders as Supervisors of the ninth session of the Supervisory Committee. Ms. Ren Qian was re-elected as the employee Supervisor of the ninth session of the Supervisory Committee at the employee representatives meeting, and was re-appointed as the chairman of the ninth session of the Supervisory Committee on 1 June 2022.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors, Supervisors and the senior management of the Company are set out on pages 179 to 189 of this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into a service contract with the Company for a term of not more than three years until the conclusion of the annual general meeting of the Company, at which members of the next session of the Board and Supervisory Committee will be elected. None of the Directors and Supervisors has an unexpired service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The executive Directors who are also the senior management of the Company are not entitled to receive by way of remuneration for their services as being executive Directors, but entitled to receive by way of remuneration for their services as the senior management of the Company, and such remuneration will be assessed and determined by the Board. The remuneration for the full-time Directors should be determined by the Shareholders at the general meetings of the Company based on the economic benefits received by the Company and by reference to other factors including the responsibilities and performance of the Directors and the remuneration standards of the industry. The allowances for the independent non-executive Directors should be determined by the Shareholders at the general meetings of the Company.

Details of the remuneration of Directors, Supervisors and chief executive and details of the five highest paid employees' remuneration are set out in note 10 and note 11 to the financial statements.

The remuneration for the year ended 31 December 2022, including salaries, allowances and benefits in kind, performance-related bonuses, pension scheme contribution and cash-based long-term incentive scheme, of those who were senior management of the Company on 31 December 2022 and whose profiles are included in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this annual report fell within the following bands:

Remuneration bands	Number of individuals
RMB Nil to RMB2,000,000	1
RMB2,000,001 to RMB4,000,000	7
RMB4,000,001 to RMB6,000,000	8
RMB6,000,001 to RMB8,000,000	1
RMB8,000,001 to RMB10,000,000	1

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

There is no transaction, arrangement or contract of significance to which the Company or its subsidiaries was a party subsisted at the end of the Reporting Period or at any time during the Reporting Period in which a Director, an entity connected with a Director, a Supervisor or an entity connected with a Supervisor had a material interest.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save for the connected transactions as disclosed in the section headed "Connected Transactions" under the "Report of the Directors" in this annual report, no contracts of significance (including those for the provision of services to the Group) were entered into between the Company or any of subsidiaries and the controlling shareholder or any of its subsidiaries during the Reporting Period.

PENSION SCHEME

The full-time employees of the Group are covered by various government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. The Group contributes a percentage of the employees' salaries (subject to maximum caps) to these retirement benefit schemes on a monthly basis. Under these schemes, the Group has no legal obligation for retirement benefits beyond the contributions made. Contributions to these schemes are expensed as incurred. The Group's pension cost charged to the income statement for the Reporting Period was RMB538.4 million.

MANAGEMENT CONTRACT

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Group were entered into or existed during the Reporting Period.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the Reporting Period, except for the 2022 Restricted A Share Incentive Scheme and the 2022 H Share Employee Share Ownership Scheme, none of the Company, its subsidiaries, the Company's controlling shareholders and their subsidiaries is a party to any arrangement that would enable the Directors or Supervisors to acquire benefits by means of acquisition of any shares or debentures in the Company or any other body corporate, and none of the Directors, Supervisors or their spouses or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such right for the year.

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

As at 31 December 2022, the interests or short positions of the Directors, Supervisors and 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) which should be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise should be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

(1) Interests in the Shares, underlying Shares and debentures of the Company

Name	Capacity	Class of Shares	Number of Shares[1]	Approximate percentage of Shares in relevant class of Shares
Mr. Wu Yifang	Beneficial owner	H Share	373,000(L)	0.07%
	Beneficial owner	A Share	1,007,100(L)	0.05%
Mr. Wang Kexin	Beneficial owner	H Share	20,000(L)	0.00%
	Beneficial owner	A Share	447,700(L)	0.02%
Ms. Guan Xiaohui	Beneficial owner	H Share	25,000(L)	0.00%
	Beneficial owner	A Share	393,100(L)	0.02%
Mr. Wen Deyong	Beneficial owner	H Share	20,000(L)	0.00%
	Beneficial owner	A Share	207,100(L)	0.01%
Mr. Chen Qiyu	Beneficial owner	A Share	114,075(L)	0.01%
Mr. Yao Fang	Beneficial owner	A Share	458,300(L)	0.02%
Ms. Ren Qian	Beneficial owner	A Share	17,250(L)	0.00%

Note:

(1) (L) — Long position

(2) Interests in the shares and underlying shares of the Company's associated corporations (within the meaning of Part XV of the SFO)

Name	Name of associated corporations	Class of shares	Capacity	Number of Shares[1]	Approximate percentage of Shares in relevant class of Shares
Mr. Wang Kexin	Fosun International	Ordinary share	Beneficial owner	1,060,000(L)	0.01%
Ms. Guan Xiaohui	Fosun International	Ordinary share	Beneficial owner	1,000,000(L)	0.01%
Mr. Chen Qiyu	Fosun International	Ordinary share	Beneficial owner	27,006,400(L)	0.33%
	Fosun Tourism	Ordinary share	Beneficial owner	501,478(L)	0.04%
Mr. Yao Fang	Fosun International	Ordinary share	Beneficial owner	6,134,500(L)	0.07%
Mr. Xu Xiaoliang	Fosun International	Ordinary share	Beneficial owner	23,402,000(L)	0.28%
	Fosun Tourism	Ordinary share	Beneficial owner	552,328(L)	0.04%
Mr. Pan Donghui	Fosun International	Ordinary share	Beneficial owner	12,634,484(L)	0.15%
	Fosun Tourism	Ordinary share	Beneficial owner	240,000(L)	0.02%

Note:

(1) (L) — Long position

(3) Interests in debentures of the Company's associated corporations (within the meaning of Part XV of the SFO)

Name	Name of associated corporations	Capacity	Amount of debentures
Mr. Wu Yifang	Fortune Star (BVI) Limited	Beneficial owner	USD739,121
Mr. Chen Qiyu	Fortune Star (BVI) Limited	Beneficial owner	USD1,478,241
Mr. Yao Fang	Fortune Star (BVI) Limited	Beneficial owner	USD739,121
Mr. Xu Xiaoliang	Fortune Star (BVI) Limited	Beneficial owner	USD6,356,437
Mr. Pan Donghui	Fortune Star (BVI) Limited	Beneficial owner	USD739,121

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

As at 31 December 2022, so far as is known to the Directors and Supervisors, the persons or entities, other than the Directors, Supervisors or chief executive of the Company, who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name of Shareholders	Nature of Interest	Class of Shares	Number of Shares[(1)]	Approximate percentage of Shares in relevant class of Shares
Fosun High Tech	Beneficial owner	H Share	71,533,500(L)	12.96%
	Beneficial owner	A Share	885,595,955(L)	41.77%
Fosun International	Beneficial owner	H Share	6,000,000(L)[(2)]	1.09%
	Interest of a controlled corporation	H Share	71,533,500(L)[(2)]	12.96%
	Interest of a controlled corporation	A Share	885,595,955(L)[(3)]	41.77%
Fosun Holdings	Interest of a controlled corporation	H Share	77,533,500(L)[(2)]	14.05%
	Interest of a controlled corporation	A Share	885,595,955(L)[(3)]	41.77%
Fosun International Holdings	Interest of a controlled corporation	H Share	77,533,500(L)[(2)]	14.05%
	Interest of a controlled corporation	A Share	885,595,955(L)[(3)]	41.77%
Mr. Guo Guangchang	Interest of a controlled corporation	H Share	77,533,500(L)[(2)]	14.05%
	Interest of a controlled corporation	A Share	885,595,955(L)[(3)]	41.77%
	Beneficial owner	A Share	114,075(L)	0.01%

Notes:

(1) (L) — Long position;

(2) These Shares, of which 71,533,500 Shares are held by Fosun High Tech, and of which 6,000,000 Shares are held by Fosun International. Fosun High Tech is wholly owned by Fosun International, which in turn is owned as to 73.53% by Fosun Holdings, and Fosun Holdings is wholly owned by Fosun International Holdings. As Fosun International Holdings is owned as to 85.29% by Mr. Guo Guangchang, Fosun International, Fosun Holdings, Fosun International Holdings and Mr. Guo Guangchang are deemed to be interested in these Shares.

(3) These Shares are held by Fosun High Tech. Fosun High Tech is wholly owned by Fosun International, which in turn is owned as to 73.53% by Fosun Holdings, and Fosun Holdings is wholly owned by Fosun International Holdings. As Fosun International Holdings is owned as to 85.29% by Mr. Guo Guangchang, Fosun International, Fosun Holdings, Fosun International Holdings and Mr. Guo Guangchang are deemed to be interested in these Shares.

PERMITTED INDEMNITY

At no time during the year ended 31 December 2022 and up to the date of this report was there any permitted indemnity provision in force for the benefit of any of the Directors and the Supervisors (whether made by the Company or otherwise) or any directors and supervisors of an associated company (if made by the Company). The Company has arranged appropriate Directors', Supervisors' and senior management's liability insurance coverage for the Directors, Supervisors and senior management.

SHARE INCENTIVE SCHEMES

2022 Restricted A Share Incentive Scheme

The adoption of the 2022 Restricted A Share Incentive Scheme was approved by the Shareholders of the Company at the extraordinary general meeting, the A Shareholders class meeting and the H Shareholders class meeting held on 29 November 2022. A summary of the principal terms of the Restricted A Share Incentive Scheme is set out below.

(1) Purpose

The Restricted A Share Incentive Scheme aims to further improve the corporate governance structure, promote the establishment and improvement of the incentive mechanism of the Group, fully mobilize the enthusiasm of the executive Directors and senior management personnel of the Company and employees of the Group, effectively align the interests of the Shareholders, corporate(s) and operators to focus on and work collectively for the long-term development of the Group.

(2) Participants

The participants under the Restricted A Share Incentive Scheme include executive Directors, senior management personnel of the Company, the mid-level management personnel of the Group and other employees to whom the Board considers provision of incentives to be appropriate. The detailed list of participants and their respective allocation under the Scheme shall be proposed by the Board, independent non-executive Directors and the Supervisory Committee shall opine on the same, subject to the relevant procedures in the event the approval at the general meeting, the A Shareholders class meeting and the H Shareholders class meeting of the Company is required.

Participants under the Restricted A Share Incentive Scheme do not include any independent non-executive Director or Supervisor of the Company, or Shareholders individually or collectively holding more than 5% of the Shares of the Company or actual controller and his/her spouse, parents and children. The executive Directors and senior management personnel of the Company among the participants were elected at the general meetings or hired by the Board. All participants shall have entered into employment agreements or engagement documents with the Company or its subsidiaries at the time of grant under the Restricted A Share Incentive Scheme and during the term of the Restricted A Share Incentive Scheme.

(3) Maximum number of shares to be issued and maximum shareholdings entitled by the participants

A number of up to 3,434,300 restricted A Shares were proposed to be granted to the participants under the Restricted A Share Incentive Scheme, representing up to 0.13% of the total share capital of the Company (i.e. 2,672,156,611 Shares, the same below) as at the date of this report. Specifically, a number of up to 2,747,500 Shares were granted under the first grant, representing up to 0.10% of the total share capital of the Company as at the date of this report; and a number of up to 686,800 Shares were reserved for further grant, representing up to 0.03% of the total share capital of the Company as at date of this report. The reserved grant portion represents up to 20% of the total Restricted A Shares to be granted under the Restricted A Share Incentive Scheme. The total number of shares of the Company granted to any of the participants under all share incentive schemes currently in force does not in the aggregate exceed 0.1% of the total share capital of the Company as at 29 August 2022.

(4) Term, restriction period and unlocking arrangement

The term of the Restricted A Share Incentive Scheme shall be commencing from the completion date of registration of the Shares under the first grant (i.e. 13 December 2022, same as below) and ending on the date of all the Restricted A Shares granted to the participants having unlocked or repurchased and cancelled, the maximum period of which shall not exceed 60 months.

The restricted A Shares granted under the Restricted A Share Incentive Scheme shall be locked after completion of their registration. During the restriction period, the cash dividend from the restricted A Shares granted to the participants shall be held by the Company and payable to the participants upon unlocking; and in the event of the restricted A Shares are unable to be unlocked, the corresponding cash divided shall be forfeited by the Company. Within the unlocking period, the Company shall deal with matters related to the unlocking of those restricted A Shares which satisfy the conditions to such unlocking. The restricted A Shares which fail to satisfy the unlocking conditions, or fail to apply for unlocking the relevant restricted A Shares within the prescribed period as listed above, shall be repurchased by the Company at the repurchase price equal to the grant price in accordance with the terms of the Restricted A Share Incentive Scheme and cancelled accordingly.

The restriction period of the restricted A Shares granted under the first grant (i.e. the vesting period) shall be 12 months, 24 months and 36 months from the relevant completion date of registration of the restricted A Shares under the first grant. The unlocking schedule and arrangements for the restricted A Shares to be granted under the first grant are set out below:

Unlocking period for the restricted A Shares under the first grant	**Unlocking schedule**	**Maximum proportion of the unlocked restricted A Shares in the total restricted A Shares to be granted under the Restricted A Share Incentive Scheme**
First unlocking period	Commencing from the first trading day after expiry of the 12-month period from the date of completion of registration of certain corresponding restricted A Shares under the first grant and ending on the last trading day of the 24-month period from the date of completion of registration of certain corresponding restricted A Shares under the first grant	33%
Second unlocking period	Commencing from the first trading day after expiry of the 24-month period from the date of completion of registration of certain corresponding restricted A Shares under the first grant and ending on the last trading day of the 36-month period from the date of completion of registration of certain corresponding restricted A Shares under the first grant	33%
Third unlocking period	Commencing from the first trading day after expiry of the 36-month period from the date of completion of registration of certain corresponding restricted A Shares under the first grant and ending on the last trading day of the 48-month period from the date of completion of registration of certain corresponding restricted A Shares under the first grant	34%

If the grant of the reserved restricted A Shares (not yet granted as at 31 December 2022) takes place in 2023, the unlocking schedule and arrangements for the restricted A Shares to be granted under the reserved grant are set out below:

Unlocking period for the restricted A Shares under the reserved grant	Unlocking schedule	Maximum proportion of the unlocked restricted A Shares in the total restricted A Shares to be granted under the Restricted A Share Incentive Scheme
First unlocking period	Commencing from the first trading day after expiry of the 12-month period from the date of completion of registration of certain corresponding restricted A Shares under the reserved grant and ending on the last trading day of the 24-month period from the date of completion of registration of certain corresponding restricted A Shares under the reserved grant	50%
Second unlocking period	Commencing from the first trading day after expiry of the 24-month period from the date of completion of registration of certain corresponding restricted A Shares under the reserved grant and ending on the last trading day of the 36-month period from the date of completion of registration of certain corresponding restricted A Shares under the reserved grant	50%

(5) Grant price of restricted A Shares and the basis of determination

The grant price of the first grant under the Restricted A Share Incentive Scheme shall be RMB21.29 per share. Upon fulfilment of grant conditions, each participant is entitled to purchase the A Shares newly issued to him or her by the Company at the price of RMB21.29 per share. The grant price underlying the first grant of the Restricted A Share Incentive Scheme shall not be less than the nominal value of the Shares, and shall not be less than the higher of the following prices:

(a) 50% of the average trading price of the A Shares of RMB40.31 per share on the last trading day before the date of the A-Share announcement on the Restricted A Share Incentive Scheme (i.e. 29 August 2022, same as below), which is RMB20.16 per share; and

(b) 50% of the average trading price of the A Shares of RMB42.57 per share on the last 20 trading days before the date of the A-Share announcement on the Restricted A Share Incentive Scheme, which is RMB21.29 per share.

The grant price of the reserved grant portion shall not be lower than the nominal value of the Shares, and not lower than the higher of the followings:

(a) 50% of the average trading price of the A Shares on the last trading day immediately preceding the date of the announcement of Board resolutions on the reserved grant;

(b) 50% of the average trading price of the A Shares on the last 20, 60 or 120 trading days immediately preceding the date of the announcement of Board resolutions on the reserved grant; and

(c) the grant price of the first grant.

On 1 December 2022, as five proposed participants ceased to be employed by the Group and no longer fell within the scope of the participants, the Board resolved, under the authorization of the above-mentioned general meeting, to adjust the list of participants and the number of restricted A Shares involved in the first grant of the Restricted A Share Incentive Scheme. The Board also resolved to grant a total of 2,706,400 restricted A Shares to 138 proposed participants under the first grant on 1 December 2022, as the grant date of the first grant, at the grant price of RMB21.29 per share under the first grant. Except for 12 participants (who were granted a total of 205,000 restricted A Shares) who voluntarily decided not to participate in the first grant, 126 participants had signed grant agreements with the Company and completed the payment to subscribe for a total of 2,501,400 restricted A Shares, and the registration of the relevant Shares was completed on 13 December 2022.

During the Reporting Period, details of changes in the relevant restricted A Shares under the Restricted A Share Incentive Scheme are set out as follows:

	Granted during the Reporting Period			Changes during the Reporting Period (shares)				
Participant(s)	**Grant date**	**Grant price** (RMB/share)[1]	**Lock-up period**[2]	**Number of restricted A Shares granted and issued** (shares)	**Not yet unlocked as at 1 January 2022**	**Unlocked during the Reporting Period**	**Lapsed/ cancelled during the Reporting Period**	**Not yet unlocked as at 31 December 2022**[3]
Wu Yifang	1 December 2022	21.29	From 13 December 2022 to 12 December 2025	257,200	—	—	—	257,200
Wang Kexin	1 December 2022	21.29	From 13 December 2022 to 12 December 2025	215,200	—	—	—	215,200
Guan Xiaohui	1 December 2022	21.29	From 13 December 2022 to 12 December 2025	187,100	—	—	—	187,100
Wen Deyong	1 December 2022	21.29	From 13 December 2022 to 12 December 2025	187,100	—	—	—	187,100
Subtotal	—	—	—	846,600	—	—	—	846,600
Other participants	1 December 2022	21.29	From 13 December 2022 to 12 December 2025	1,654,800	—	—	—	1,654,800
Total	—	—	—	2,501,400[4]	—	—	—	2,501,400

Notes:

(1) On the grant date (i.e. 1 December 2022, same as below) and the trading day before the grant date (i.e. 30 November 2022), the closing prices of the Company's A Shares were RMB36.23 and RMB37.10 per share, respectively. The total fair value of the 2,501,400 restricted A Shares granted and subscribed during the Reporting period on the grant date was RMB90,625,722.

(2) Upon fulfilment of certain unlocking conditions of the Restricted A Share Incentive Scheme (including Group level performance appraisal and individual level performance appraisal of participants, please refer to the Company's circular dated 31 October 2022 for details), the arrangement for the unlocking of restricted A Shares granted on 1 December 2022 is as follows:

Lock-Up period	**Unlocking period**	**Maximum proportion of the unlocked restricted Shares in the total restricted Shares to be granted**
From 13 December 2022 to 12 December 2023	From 13 December 2023 to 12 December 2024	33%
From 13 December 2022 to 12 December 2024	From 13 December 2024 to 12 December 2025	33%
From 13 December 2022 to 12 December 2025	From 13 December 2025 to 12 December 2026	34%

(3) The Restricted A Share Incentive Scheme was adopted on 29 November 2022. During the Reporting Period, the number of restricted A Shares that the Company may grant under the Restricted A share Incentive Scheme did not exceed 3,434,300 shares, representing approximately 0.17% of the weighted average number of the A Shares issued by the Company in 2022. After the aforementioned first grant and on 31 December 2022, up to 686,800 reserved restricted A Shares may further be granted pursuant to the Restricted A Share Incentive Scheme.

(4) During the Reporting Period, the Company completed the grant of 2,501,400 restricted A shares, and its impact on the Company's accounting costs for each period would be calculated and amortized in accordance with the requirements of the HKFRS.

2022 H Share Employee Share Ownership Scheme

The 2022 H Share Employee Share Ownership Scheme was approved by the Shareholders of the Company at the extraordinary general meeting held on 29 November 2022. The principal terms and implementation of the 2022 H Share Employee Share Ownership Scheme are as follows.

(1) Purpose

The 2022 H Share Employee Share Ownership Scheme aims at further improving the corporate governance structure of the Group, promoting the establishment and improvement of the incentive mechanism of the Group, fully mobilizing the enthusiasm of the executive Directors and senior management personnel of the Company and employees of the Group, and effectively aligning the interests of the shareholders, corporate(s) and operators to focus on and work collectively for the long-term development of the Group.

(2) Participants

The holders under the 2022 H Share Employee Share Ownership Scheme include executive Directors and senior management personnel of the Company and the mid-level management personnel of the Group and other employees to whom the Board considers provision of incentives to be appropriate. The detailed list of holders and their respective allocation shall be proposed by the Board, and independent non-executive Directors and the Supervisory Committee shall opine on the same, subject to the relevant procedures in the event the approval at the general meeting of the Company is required.

Participants under the 2022 H Share Employee Share Ownership Scheme do not include any independent non-executive Director or Supervisor of the Company, or Shareholders individually or collectively holding more than 5% of the shares of the Company or actual controller and his/her spouse, parents and children. The executive Directors and senior management personnel of the Company among the holders were elected at the general meetings of the Company or hired by the Board. All holders shall have entered into employment agreements or engagement documents with the Company or its subsidiaries at the time of grant under the H Share Employee Share Ownership Scheme and during the term of the H Share Employee Share Ownership Scheme.

(3) Source of funds, source of target shares and upper limit of interests granted to holders

The source of funds of the H Share Employee Share Ownership Scheme is the Company's funds designated for incentive purposes with a size of RMB73.4625 million, and the holders are not required to pay any consideration. The H Share Employee Share Ownership Scheme is denominated in "units", each being RMB1 in value, i.e. the maximum number of units under the H Share Scheme is 73.4625 million. Amongst which, there are up to 58.77 million units under the first grant, and the remainder of up to 14.6925 million units are reserved units. The total number of H Shares to be held under the H Share Employee Share Ownership Scheme shall not in the aggregate exceed 0.5% of the total share capital of the Company, and the total number of H Shares corresponding to units to be held by a holder under the H Share Scheme shall not in the aggregate exceed 0.5% of the total share capital of the Company.

The Company has entrusted Changjiang Pension to be the management agency of the H Share Employee Share Ownership Scheme and to carry out the daily management of the H Share Employee Share Ownership Scheme through the Changjiang Pension Employee Share Ownership Product. From 12 December 2022 to 29 December 2022 (both days inclusive), the Changjiang Pension Employee Share Ownership Product purchased 2,837,000 H Shares of the Company through the Shanghai-Hong Kong Stock Connect trading system, representing 0.11% of the total share capital and 0.51% of the total number of H Shares of the Company (i.e. 551,940,500 Shares). The total trading amount was approximately HK$74.87 million (excluding trading fees), and the average trading price was HK$26.39 per share. The remaining capital of the employee share ownership product will be used for liquidity management. As at 29 December 2022, the H Share Employee Share Ownership Scheme had completed the purchase of relevant H Shares, which were locked up in accordance with the regulations.

(4) Term, lock-up period and vesting

The term of the H Share Employee Share Ownership Scheme shall not exceed 60 months commencing from the date on which the H Share Employee Share Ownership Scheme is considered and approved at the general meeting of the Company and the target shares under the H Share Employee Share Ownership Scheme are purchased as announced by the Company (i.e. 29 December 2022, same as below). Unless otherwise extended as reviewed by the holders' meeting under the H Share Employee Share Ownership Scheme and resolved and approved by the Board, the H Share Employee Share Ownership Scheme shall be automatically terminated upon its expiry.

The lock-up period for the target shares under the H Share Employee Share Ownership Scheme shall be 12 months commencing from the date on which the H Shares under the H Share Employee Share Ownership Scheme are purchased in the secondary market as announced by the Company. In case of capitalization of capital reserves, bonus issue and refinancing by the Company during the lock-up period, the Shares newly acquired under the scheme due to holding of the Company's Shares cannot be sold in the secondary market or otherwise disposed of. The lock-up period of such newly acquired Shares under the scheme shall be the same as that of their corresponding target shares.

The units granted under the first grant of the H Share Employee Share Ownership Scheme shall be vested according to the performance appraisal results at the Group level and the performance appraisal results of the respective holder at the individual level in three batches. The specific vesting periods and vesting arrangements are set out below:

Vesting period of units under the first grant	Vesting schedule	Maximum proportion of the units that can be vested in the total number of units granted under the H Share Employee Share Ownership Scheme
First vesting period	Commencing from the first trading day after the expiry of the 12-month period from the date on which the target shares under the H Share Employee Share Ownership Scheme are purchased in the secondary market as announced by the Company and ending on the last trading day of the 24-month period from such date	33%
Second vesting period	Commencing from the first trading day after the expiry of the 24-month period from the date on which the target shares under the H Share Employee Share Ownership Scheme are purchased in the secondary market as announced by the Company and ending on the last trading day of the 36-month period from such date	33%
Third vesting period	Commencing from the first trading day after the expiry of the 36-month period from the date on which the target shares under the H Share Employee Share Ownership Scheme are purchased in the secondary market as announced by the Company and ending on the last trading day of the 48-month period from such date	34%

If the grant of the reserved units (not yet granted as at 31 December 2022) takes place in 2023, the reserved units shall be vested in the holders in two batches. The specific vesting periods and vesting arrangements are set out below:

Vesting period of the reserved units	Vesting schedule	Maximum proportion of the units that can be vested in the total number of units granted under the H Share Employee Share Ownership Scheme
First vesting period	Commencing from the first trading day after expiry of the 12-month period from the reserved unit grant date under the H Share Employee Share Ownership Scheme as announced by the Company and ending on the last trading day of the 24-month period from such date	50%
Second vesting period	Commencing from the first trading day after expiry of the 24-month period from the reserved unit grant date under the H Share Employee Share Ownership Scheme as announced by the Company and ending on the last trading day of the 36-month period from such date	50%

On 9 December 2022, as a total of 17 proposed holders under the first grant of the H Share Employee Share Ownership Scheme have resigned or voluntarily decided not to participate in the H Share Employee Share Ownership Scheme, the Board resolved, under the authorization of the above-mentioned general meeting, to adjust the number of holders of the first grant under the H Share Employee Share Ownership Scheme from no more than 143 to 126, the size of the first grant from no more than RMB58,770,000 to RMB53,500,000 and the maximum fund size of the reserved grant (not yet granted as at 31 December 2022) will remain at RMB14,692,500.

During the Reporting Period, the details of the changes in the shares of the H Share Employee Share Ownership Scheme are set out as follows:

	Granted during the Reporting Period[1]		Changes during the Reporting Period (units)			
Participant(s)	Units granted	Lock-up period[2]	Not yet vested as at 1 January 2022	Vested during the Reporting Period	Lapsed/ cancelled during the Reporting Period	Not yet vested as at 31 December 2022[3]
Wu Yifang	5,500,000	From 29 December 2022 to 28 December 2025	—	—	—	5,500,000
Wang Kexin	4,600,000	From 29 December 2022 to 28 December 2025	—	—	—	4,600,000
Guan Xiaohui	4,000,000	From 29 December 2022 to 28 December 2025	—	—	—	4,000,000
Wen Deyong	4,000,000	From 29 December 2022 to 28 December 2025	—	—	—	4,000,000
Subtotal	18,100,000		—	—	—	18,100,000
Other Participants	35,400,000	From 29 December 2022 to 28 December 2025	—	—	—	35,400,000
Total	53,500,000	—	—	—	—	53,500,000

Notes:

(1) The H Share Employee Share Ownership Scheme (including the first grant under the H Share Employee Share Ownership Scheme) was approved to be implemented by the Shareholders of the Company on 29 November 2022. Therefore, the first grant date of the H Share Employee Share Ownership Scheme was 29 November 2022 (the "**Grant Date**"). On the Grant Date and the trading day before the Grant Date (i.e. 28 November 2022), the closing prices of the Company's H Shares were HK$25.50 and HK$24.30 per share, respectively. On 29 November 2022, the H Share Employee Share Ownership Scheme had not yet purchased the Company's H Shares. Therefore, the value of the 53,500,000 H Share Employee Share Ownership Scheme units granted and accepted during the Reporting Period amounted to RMB53,500,000 on the Grant Date.

(2) The units granted to holders under the H Share Employee Share Ownership Scheme shall be vested as follows upon fulfilment of certain vesting conditions of the 2022 H Share Employee Share Ownership Scheme (including Group level performance appraisal and individual level performance appraisal of the participants, please refer to the Company's circular dated 31 October 2022 for details).

Lock-up period	Vesting period	Maximum proportion of the units that can be vested in the total number of units granted
From 29 December 2022 to 28 December 2023	From 29 December 2023 to 28 December 2024	33%
From 29 December 2022 to 28 December 2024	From 29 December 2024 to 28 December 2025	33%
From 29 December 2022 to 28 December 2025	From 29 December 2025 to 28 December 2026	34%

(3) The H Share Employee Share Ownership Scheme was adopted on 29 November 2022. After the aforementioned first grant and on 31 December 2022, the Company may further grant no more than 14,692,500 units in accordance with the 2022 H Share Employee Share Ownership Scheme.

(4) The impact of the implementation of the H Share Employee Share Ownership Scheme on the Company's accounting costs would be calculated and amortized in accordance with the requirements of the HKFRS.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge of the Directors, as at the date of this annual report, the Company has been maintaining sufficient public float as required by the Hong Kong Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or applicable laws of the PRC where the Company is incorporated.

DONATIONS

During the Reporting Period, the Group made donations of approximately RMB60.31 million.

CONNECTED TRANSACTIONS

During the Reporting Period, the Company has entered into the following transactions with connected persons (as defined in the Hong Kong Listing Rules):

(A) Non-exempt Connected Transactions

1. As disclosed in the announcement of the Company dated 7 January 2022, on 7 January 2022, Dalian Fujian and Ningbo Fuying (both being subsidiaries of the Company), Fosun High Tech, Dalian Rongda Investment Co., Ltd. and Dalian Lvshunkou District State-owned Assets Investment Group Co., Ltd. entered into a partnership agreement in relation to, among others, the establishment of Dalian Fund, of which the targeted subscription capital shall be RMB500 million. Dalian Fujian (as the general partner), Ningbo Fuying (as a limited partner) and Fosun High Tech (as a limited partner) contributed RMB5 million, RMB200 million and RMB50 million in cash to subscribe for shares of the same amount in Dalian Fund, respectively.

   As Fosun High Tech is a controlling shareholder of the Company, Fosun High Tech constitutes a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transaction contemplated under the partnership agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

2. As disclosed in the announcement of the Company dated 24 January 2022, on 24 January 2022, Xingsheng Fuying and Ningbo Fuying (both being subsidiaries of the Company), Fosun High Tech and Suzhou Tianshi Investment Guidance Fund (Limited Partnership) entered into a partnership agreement in relation to, among others, the establishment of the Suzhou Xingweilai Fund, of which the initial contribution shall amount to RMB176 million. Xingsheng Fuying (as the general partner), Ningbo Fuying (as a limited partner) and Fosun High Tech (as a limited partner) contributed RMB3 million, RMB66 million and RMB44 million in cash to subscribe for shares of the same amount in the Suzhou Xingweilai Fund, respectively.

   As Fosun High Tech is a controlling shareholder of the Company, Fosun High Tech constitutes a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transaction contemplated under the partnership agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

3. As disclosed in the announcement of the Company dated 24 January 2022, on 24 January 2022, Fosun Pharmaceutical Industrial, a subsidiary of the Company, Yadong Zhijian, Ningbo Fumai and Xingmai Technology entered into an investment agreement in relation to, among other things, the capital increase in Xingmai Technology, pursuant to which Fosun Pharmaceutical Industrial (by cash and the outstanding loan amount owing from Xingmai Technology), Yadong Zhijian (by cash and the outstanding loan amount owing from Xingmai Technology) and Ningbo Fumai (by cash) contributed RMB90 million, RMB210 million and RMB37.5 million to subscribe for additional registered capital of RMB15 million, RMB35 million and RMB6.25 million in Xingmai Technology, respectively. Upon the completion of the transaction under the investment agreement, Fosun Pharmaceutical Industrial's shareholding in Xingmai Technology will increase from 25% to approximately 25.88%, and Xingmai Technology will be held by the Company through Fosun Pharmaceutical Industrial and Foshan Fosun Chancheng Hospital as to approximately 28.24% in aggregate.

As at 24 January 2022, Xingmai Technology was respectively held as to 40% and 10% by Yadong Zhijian and Ningbo Fumai respectively, which in turn were both subsidiaries of Fosun High Tech, a controlling shareholder of the Company. As such, Xingmai Technology is an associate of Fosun High Tech, and each of Yadong Zhijian, Ningbo Fumai and Xingmai Technology is a connected person of the Company. The transaction under the investment agreement therefore constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

4. As disclosed in the announcement of the Company dated 29 July 2022, on 29 July 2022, Fosun Pharmaceutical Industrial, a subsidiary of the Company, Gongqingcheng Qixin Equity Investment Partnership (Limited Partnership), Shanghai Anting Industrial Development Limited and Xingmai Technology and other parties entered into a capital increase agreement in relation to (among others) the capital increase in Xingmai Technology. Each of Fosun Pharmaceutical Industrial, Gongqingcheng Qixin Equity Investment Partnership (Limited Partnership) and Shanghai Anting Industrial Development Limited contributed RMB50 million in cash to subscribe for additional registered capital of RMB6.640625 million in Xingmai Technology, respectively (i.e. an increase of the total registered capital of Xingmai Technology of RMB19.921875 million). On the same date, Fosun Pharmaceutical Industrial and Yadong Zhijian entered into an equity transfer agreement, pursuant to which Yadong Zhijian agreed to sell and Fosun Pharmaceutical Industrial agreed to purchase equity corresponding to the registered capital of RMB55 million in Xingmai Technology from Yadong Zhijian for a consideration of RMB362.35 million in cash. Upon the completion of transactions under the capital increase agreement and the equity transfer agreement, Fosun Pharmaceutical Industrial's shareholding in Xingmai Technology will increase from approximately 25.88% to approximately 70.65%, and the Company's shareholding in Xingmai Technology, through Fosun Pharmaceutical Industrial and Foshan Fosun Chancheng Hospital, will increase from approximately 28.24% to approximately 72.63% in aggregate, and Xingmai Technology will become a subsidiary of the Company.

   As at 29 July 2022, Xingmai Technology was held as to approximately 51.76% by Yadong Zhijian, which in turn was a subsidiary of Fosun High Tech, a controlling shareholder of the Company. As such, Xingmai Technology was an associate of Fosun High Tech, and each of Yadong Zhijian and Xingmai Technology was a connected person of the Company. The transactions under the capital increase agreement and the equity transfer agreement therefore constituted connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

5. As disclosed in the announcement of the Company dated 29 July 2022, on 29 July 2022, the Company and Fosun Health Holding entered into an equity transfer agreement, pursuant to which Fosun Health Holding agreed to sell and the Company agreed to purchase 49% equity interest in Shanghai Futuo for a consideration of RMB402.486 million in cash. Upon the completion of the transaction under the equity transfer agreement, equity interest in Shanghai Futuo held by the Company will increase from 51% to 100%, and Shanghai Futuo's financial results will remain consolidated into the consolidated financial statements of the Group.

   As Fosun Health Holding is a subsidiary of Fosun High Tech, a controlling shareholder of the Company, Fosun Health Holding is an associate of Fosun High Tech, and is a connected person of the Company. Therefore, the transaction under the equity transfer agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

6. As disclosed in the announcement of the Company dated 12 August 2022, on 12 August 2022, Fosun Health and Ningbo Fuji (both being subsidiaries of the Company) entered into a capital increase agreement with Hainan Yunzhi Technology Partnership (Limited Partnership) and Fuyun Health and its shareholder Fosun High Tech in relation to, among other things, the capital increase of Fuyun Health, pursuant to which Fosun Health, Ningbo Fuji and Hainan Yunzhi Technology Partnership (Limited Partnership) made capital contribution in cash in the amount of RMB8.5 million, RMB8.5 million and RMB3.0 million, respectively, to subscribe for additional registered capital of the same amounts in Fuyun Health. Upon the completion of the transaction under the capital increase agreement, the Company, through Fosun Health and Ningbo Fuji, will hold in aggregate approximately 56.6666% of the equity interest in Fuyun Health, and Fuyun Health will become a subsidiary of the Company.

   As at 12 August 2022, Fuyun Health was a subsidiary of Fosun High Tech, a controlling shareholder of the Company, Fuyun Health was, accordingly, an associate of Fosun High Tech and a connected person of the Company. The transaction under the capital increase agreement therefore constituted a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

7. As disclosed in the announcements of the Company dated 29 August 2022, 1 December 2022 and 14 December 2022, and the circular of the Company dated 31 October 2022, the Board considered and approved, among others, the proposed adoption of the 2022 Restricted A Share Incentive Scheme, and actually granted and issued a total of 2,501,400 restricted A Shares to 126 participants under the first grant at the price of RMB21.29 per share.

   As some of the participants under the first grant of the 2022 Restricted A Share Incentive Scheme (being chief executives and directors of the Company or its subsidiaries) are connected persons of the Company, the Company granting restricted A Shares to such connected persons constitutes a non-exempt connected transaction of the Company. The Shareholders approved the 2022 Restricted A Share Incentive Scheme at the extraordinary general meeting, the A Shareholders class meeting and the H Shareholders class meeting held on 29 November 2022. As at 13 December 2022, the Company completed the first grant of the 2022 Restricted A Share Incentive Scheme and the registration of new A Shares.

8. As disclosed in the announcement of the Company dated 23 September 2022, on 23 September 2022, Fosun Health, a subsidiary of the Company, Shanghai Zhuorui, Xingshuangjian Investment, Fosun Health Holding and Shanghai Zhuoye Health Management Consulting Partnership (Limited Partnership) entered into a capital increase agreement, pursuant to which Fosun Health proposed to unilaterally make capital contribution in cash in the amount of RMB15 million to subscribe for additional registered capital of the same amount in Shanghai Zhuorui. Upon the completion of the transaction under the capital increase agreement, the equity interest in Shanghai Zhuorui held by the Company, through Fosun Health, will increase from approximately 50.2150% to approximately 57.5363% and Shanghai Zhuorui will remain a subsidiary of the Company.

   As Xingshuangjian Investment and Fosun Health Holding are subsidiaries of Fosun High Tech, a controlling shareholder of the Company, Xingshuangjian Investment and Fosun Health Holding are, accordingly, associates of Fosun High Tech and connected persons of the Company. In addition, as Fosun High Tech, through Xingshuangjian Investment and Fosun Health Holding, holds a total of approximately 48.2450% equity interest in Shanghai Zhuorui, Shanghai Zhuorui is a connected subsidiary and hence a connected person of the Company. The transaction under the capital increase agreement therefore constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

(B) Non-exempt Continuing Connected Transactions

1. As disclosed in the announcements of the Company dated 30 July 2019 and 21 October 2019, as well as the circular dated 3 September 2019, on 30 July 2019, the Company entered into a financial services agreement with Fosun Finance (as service provider) (the "**2020–2022 Financial Services Agreement**") to renew the financial services agreement expiring on 31 December 2019 for a term of three years commencing from 1 January 2020 and ending on 31 December 2022.

   As disclosed in the announcement of the Company dated 29 August 2022 and the circular dated 31 October 2022, as the 2020-2022 Financial Services Agreement was about to expire, based on the services provided in prior years and the needs for the business development of the Group, on 29 August 2022, the Company entered into a new financial services agreement with Fosun Finance. It was proposed that Fosun Finance continued to provide non-exclusive financial services, including comprehensive credit services, deposit services and settlement services, to the Group for a term of three years commencing from 1 January 2023 and ending on 31 December 2025. Pursuant to the new financial services agreement, the maximum daily amount of credit facility by Fosun Finance to the Group, the maximum daily balance of deposits placed by the Group with Fosun Finance and the cap on the fees and charges paid by the Group to Fosun Finance for settlement services and other financial services granted by Fosun Finance to the Group are RMB2 billion, RMB2 billion and RMB1 million, respectively.

   As Fosun Finance is a subsidiary of Fosun High Tech, a controlling shareholder of the Company, Fosun Finance is a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. The transactions contemplated under the renewed financial services agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

2. As disclosed in the announcements of the Company dated 18 May and 6 July 2020, on 6 July 2020, Suzhou Fund, Suzhou Xingchen and Fujian Fund entered into a fund management agreement, pursuant to which Fujian Fund shall be the fund manager of Suzhou Fund to provide fund management services for a term commencing from 6 July 2020 and ending on 31 December 2022.

   On 6 July 2020, Tianjin Fund, Tianjin Xingyao and Fujian Fund entered into a fund management agreement, pursuant to which Fujian Fund shall be the fund manager of Tianjin Fund to provide fund management services for a term commencing from 6 July 2020 and ending on 31 December 2022.

   As Fosun High Tech is a controlling shareholder of the Company, Fosun High Tech constitutes a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Fujian Fund is directly held by the Company as to 60% of its equity interest and indirectly held by Fosun High Tech as to 40% of its equity interest, respectively. Accordingly, Fujian Fund constitutes a connected subsidiary of the Company under Rule 14A.16 of the Hong Kong Listing Rules and a connected person of the Company under the Hong Kong Listing Rules. Therefore, the aforementioned transactions contemplated under the abovementioned fund management agreements constitute the continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

3. As disclosed in the announcement of the Company dated 28 December 2020, subsidiaries Nanjing Fuxin and Xingjian Ruiying Fund, and Fujian Fund proposed to enter into a fund management agreement, pursuant to which Fujian Fund shall be the fund manager of Xingjian Ruiying Fund to provide fund management services for a term commencing from 1 January 2021 and ending on 31 December 2023. The fund management agreement was entered into on 31 December 2020.

   As Fosun High Tech is a controlling shareholder of the Company, Fosun High Tech constitutes a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Fujian Fund is directly held by the Company as to 60% of its equity interest and indirectly held by Fosun High Tech as to 40% of its equity interest, respectively. Accordingly, Fujian Fund constitutes a connected subsidiary of the Company under Rule 14A.16 of the Hong Kong Listing Rules and a connected person of the Company under the Hong Kong Listing Rules. Therefore, the aforementioned transactions contemplated under the abovementioned fund management agreement constitute the continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

4. As disclosed in the announcement of the Company dated 24 November 2021, Anji Fund, Fuyao Yingchuang and Fujian Fund proposed to enter into a fund management agreement, pursuant to which Fujian Fund shall be the fund manager of Anji Fund to provide fund management services for a term commencing from 1 January 2022 and ending on 31 December 2024. The fund management agreement was entered into on 4 January 2022.

   Xuzhou Fund, Fuyao Yingchuang and Fujian Fund proposed to enter into a fund management agreement, pursuant to which Fujian Fund shall be the fund manager of Xuzhou Fund to provide fund management services for a term commencing from 1 January 2022 and ending on 31 December 2024. The fund management agreement was entered into on 4 January 2022.

   As Fosun High Tech is a controlling shareholder of the Company, Fosun High Tech constitutes a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Fujian Fund is directly held by the Company as to 60% of its equity interest and indirectly held by Fosun High Tech as to 40% of its equity interest, respectively. Accordingly, Fujian Fund constitutes a connected subsidiary of the Company under Rule 14A.16 of the Hong Kong Listing Rules and a connected person of the Company under the Hong Kong Listing Rules. Therefore, the aforementioned transactions contemplated under the abovementioned fund management agreements constitute the continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

5. As disclosed in the announcement of the Company dated 7 January 2022, Dalian Fund, Dalian Fujian and Fujian Fund proposed to enter into a fund management agreement, pursuant to which Fujian Fund shall be the fund manager of Dalian Fund to provide fund management services for a term commencing from date of signing of the fund management agreement (i.e. 17 January 2022) and ending on 31 December 2024.

   As Fosun High Tech is a controlling shareholder of the Company, Fosun High Tech constitutes a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Fujian Fund is directly held by the Company as to 60% of its equity interest and indirectly held by Fosun High Tech as to 40% of its equity interest, respectively. Accordingly, Fujian Fund constitutes a connected subsidiary of the Company under Rule 14A.16 of the Hong Kong Listing Rules and a connected person of the Company under the Hong Kong Listing Rules. Therefore, the aforementioned transactions contemplated under the abovementioned fund management agreement constitute the continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

6. As disclosed in the announcement of the Company dated 24 January 2022, Suzhou Xingweilai Fund, Xingsheng Fuying and Fujian Fund proposed to enter into a fund management agreement, pursuant to which Fujian Fund shall be the fund manager of Suzhou Xingweilai Fund to provide fund management services for a term commencing from the first settlement date of the fund and ending on 31 December 2024. The fund management agreement was entered into on 29 January 2022.

   As Fosun High Tech is a controlling shareholder of the Company, Fosun High Tech constitutes a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Fujian Fund is directly held by the Company as to 60% of its equity interest and indirectly held by Fosun High Tech as to 40% of its equity interest, respectively. Accordingly, Fujian Fund constitutes a connected subsidiary of the Company under Rule 14A.16 of the Hong Kong Listing Rules and a connected person of the Company under the Hong Kong Listing Rules. Therefore, the aforementioned transactions contemplated under the abovementioned fund management agreement constitute the continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

7. As disclosed in the announcement of the Company dated 1 April 2022, on 1 April 2022, the Company and CQ Pharma Holdings entered into a mutual supply agreement (the "**2022 CQ Pharma Holdings Mutual Supply Agreement**") in relation to the supply of sales products and the purchase of procurement products, and the provision of services between the Group and CQ Pharma Holdings and its subsidiaries for a term of 1 year commencing from 1 January 2022 and ending on 31 December 2022.

   As disclosed in the announcement of the Company dated 22 December 2022, as the 2022 CQ Pharma Holdings Mutual Supply Agreement was about to expire, on 22 December 2022, the Company entered into a new mutual supply agreement with CQ Pharma Holdings to renew the 2022 CQ Pharma Holdings Mutual Supply Agreement for a term of 1 year commencing from 1 January 2023 and ending on 31 December 2023.

   As CQ Pharma Holdings is a substantial shareholder of Yao Pharma, an indirect non-wholly-owned major subsidiary of the Company, CQ Pharma Holdings is a connected person of the Company at the subsidiary level under Rule 14A.07 of the Hong Kong Listing Rules. As a result, the transactions contemplated under the mutual supply agreements constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

8. As disclosed in the announcement of the Company dated 1 April 2022, on 1 April 2022, the Company and Fosun International entered into a lessee framework agreement (the "**2022 Lessee Framework Agreement**") in relation to the lease of relevant premises of Fosun International and/or its associates to relevant members of the Group, as tenant, for a term of 1 year commencing from 1 January 2022 and ending on 31 December 2022. On the same date, the Company and Fosun International entered into a lessor framework agreement (the "**2022 Lessor Framework Agreement**") in relation to the lease of relevant premises of Fosun Pharma by Fosun International and/or its associates from relevant members of the Group, as lessor, for a term of 1 year commencing from 1 January 2022 and ending on 31 December 2022.

   As disclosed in the announcement of the Company dated 22 December 2022, as the 2022 Lessee Framework Agreement was about to expire, on 22 December 2022, the Company entered into a new lessee framework agreement with Fosun International to renew the 2022 Lessee Framework Agreement for a term of 1 year commencing from 1 January 2023 and ending on 31 December 2023. On the same date, as the 2022 Lessor Framework Agreement was about to expire, the Company entered into a new lessor framework agreement with Fosun International to renew the 2022 Lessor Framework Agreement for a term of 1 year commencing from 1 January 2023 and ending on 31 December 2023.

As Fosun International is a controlling shareholder of the Company, Fosun International is a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transactions contemplated under the aforesaid tenancy framework agreements constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

9. As disclosed in the announcements of the Company dated 1 April 2022 and 24 June 2022, on 1 April 2022, the Company and Fosun International entered into a mutual supply framework agreement (the "**2022 Fosun International Mutual Supply Framework Agreement**") in relation to the mutual supply of products and provision of services between the Group and Fosun International and/or its associates, for a term of 1 year commencing from 1 January 2022 and ending on 31 December 2022. On 24 June 2022, in order to satisfy the demand of relevant business cooperation between the Group and Fosun International Group during the second half of 2022, which was expected to incur additional transactions to the products provided by Fosun International and/or its associates to the Group under the 2022 Fosun International Mutual Supply Framework Agreement, and the Board envisaged that the original annual cap for the products provided by the Fosun International and/or its associates to the Group would not be sufficient to fulfil the amount of relevant transactions that may take place under the Fosun International Mutual Supply Framework Agreement for the year ended 31 December 2022. Therefore, the Board proposed to adjust the annual cap for the products provided by Fosun International and/or its associates to the Group to RMB320 million from RMB200 million.

As disclosed in the announcement of the Company dated 22 December 2022, as the 2022 Fosun International Mutual Supply Framework Agreement was about to expire, on 22 December 2022, the Company entered into a new mutual supply framework agreement with Fosun International to renew the 2022 Fosun International Mutual Supply Framework Agreement for a term of 1 year commencing from 1 January 2023 and ending on 31 December 2023.

As Fosun International is a controlling shareholder of the Company, Fosun International is a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transactions contemplated under the aforesaid mutual supply framework agreements constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

The Company has complied and will continue to comply with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules in respect of connected transactions, including, among others, conducting annual review of the continuing connected transactions.

Certain details of the continuing connected transactions during the year ended 31 December 2022 are summarized in the table below.

Connected persons	Type of the Transaction	Actual amount of Transaction 2022	Annual cap for the Transaction 2022
		RMB	RMB
Fosun International and its associates	Leasing of premises and receiving property management services by the Group from Fosun International and its associates (Short-term leases/Low-value leases)	56,289,432	80,000,000
	Leasing of premises and provision of property management services by the Group to Fosun International and its associates (Short-term leases/Low-value leases)	2,153,530	60,000,000
		58,442,962	**140,000,000**

Connected persons	Type of the Transaction	Actual amount of Transaction 2022	Annual cap for the Transaction 2022
		RMB	RMB
Fosun International and its associates	The Group's acceptance of the services provided by Fosun International and its associates	74,405,901	200,000,000
	The purchase of products by the Group from Fosun International and its associates	219,683,849	320,000,000
	The provision of services by the Group to Fosun International and its associates	6,427,229	50,000,000
	The sales of products by the Group to Fosun International and its associates	32,007,836	150,000,000
		332,524,815	**720,000,000**

Connected persons	Type of the Transaction		Actual amount of Transaction 2022 RMB	Annual cap for the Transaction 2022 RMB
Fosun Finance	Provision of financial services by Fosun Finance to the Group:			
	(a)	Maximum daily amount of the credit facility granted by Fosun Finance to the Group	136,584,859	1,000,000,000
	(b)	Maximum daily balance of deposits placed by the Group with Fosun Finance	994,533,831	1,000,000,000
	(c)	Fees and charges paid by the Group to Fosun Finance for settlement services and other financial services	—	1,000,000

Connected persons	Type of the Transaction	Actual amount of Transaction 2022 RMB	Annual cap for the Transaction 2022 RMB
CQ Pharma Holdings	Sales of products by the Group to CQ Pharma Holdings and its subsidiaries	856,137,285	1,000,000,000
	Purchase of products by the Group from CQ Pharma Holdings and its subsidiaries	113,708,904	400,000,000
	The provision of services by the Group to CQ Pharma Holdings and its subsidiaries	—	5,000,000
	The provision of services by the Group from CQ Pharma Holdings and its subsidiaries	11,648,667	20,000,000
		981,494,856	**1,425,000,000**

Connected persons	Type of the Transaction	Actual amount of Transaction 2022 RMB	Annual cap for the Transaction 2022 RMB
Fujian Fund	Provision of fund management services by Fujian Fund to Suzhou Fund	10,709,667	20,000,000
	Provision of fund management services by Fujian Fund to Tianjin Fund	4,927,708	10,000,000
	Provision of fund management services by Fujian Fund to Xingjian Ruiying Fund	11,515,777	30,000,000
	Provision of fund management services by Fujian Fund to Anji Fund	4,556,832	5,000,000
	Provision of fund management services by Fujian Fund to Xuzhou Fund	4,189,022	5,000,000
	Provision of fund management services by Fujian Fund to Dalian Fund	8,400,104	10,000,000
	Provision of fund management services by Fujian Fund to Suzhou Xingweilai Fund	2,727,578	10,000,000
		47,026,688	**90,000,000**

The Board (including independent non-executive Directors) has reviewed the continuing connected transactions as described above and confirmed that in 2022, such transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The auditors of the Company issued a letter to the Board, confirming (among which) in respect of the continuing connected transactions as mentioned above:

1. nothing has come to their attention that causes the auditors to believe that the disclosed continuing connected transactions have not been approved by the Board;

2. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the auditors to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

3. nothing has come to their attention that causes the auditors to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

4. with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes the auditors to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value that set up by the Company.

RELATED PARTY TRANSACTIONS

During the Reporting Period, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of the related party transactions entered into by the Group during the Reporting Period are disclosed in note 46 to the financial statements. Save as disclosed in the paragraph headed "Connected Transactions" in this annual report, the related party transactions disclosed in note 46 were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Hong Kong Listing Rules.

NON-COMPETITION UNDERTAKING

The independent non-executive Directors have reviewed all the matters, if any, relating to the enforcement of the Deed of Non-Competition. Fosun International Holdings, Fosun Holdings, Fosun International, Fosun High Tech, Mr. Guo Guangchang and Mr. Wang Qunbin have provided the Company with an annual declaration of compliance with the provisions of the Deed of Non-Competition.

SUBSEQUENT EVENTS

Details of significant subsequent events of the Group are set out in note 52 to the financial statements.

USE OF PROCEEDS

Pursuant the approval by the CSRC (Zheng Jian Xu Ke [2021] No. 2501), the Company completed the issuance of 106,756,666 new A Shares (with a nominal value of RMB1.00 per share) in July 2022. The issuance price of the Non-public Issuance was RMB42.00 per share, and the total amount of proceeds raised was RMB4,483,779,972.00. The net amount of the aforementioned total proceeds after deducting the issuance expenses was RMB4,456,198,748.52.

As at 31 December 2022, RMB3,027.15 million of the net proceeds raised from the Non-public Issuance had been utilized, details of which are as follows:

Unit: million Currency: RMB

Project name	Proposed investment amount from the proceeds	Actual accumulated amount of the proceeds invested as at 31 December 2022
Innovative drug clinical, license in and relevant marketing preparation	1,874.48	983.63
Intensive comprehensive base for APIs and preparations	1,349.30	811.10
Replenishment of working capital	1,232.42	1,232.42
Total	**4,456.20**	**3,027.15**

As at 31 December 2022, the remaining proceeds raised from the Non-public Issuance was RMB1,429.05 million, which will be invested to the proposed projects in 2023.

THE MODEL CODE AND THE WRITTEN CODE

The Company has adopted the Model Code and the Written Code as its codes of conduct regarding securities transactions. Having made specific enquiry of the Directors, all the Directors have confirmed that they have complied with the standards as set out in the Model Code and the Written Code throughout the Reporting Period.

COMPLIANCE WITH THE CG CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Hong Kong Listing Rules. The Board is of the view that, during the Reporting Period, save as disclosed in the Corporate Governance Report in this annual report, the Company has complied with all the code provisions as set out in the CG Code.

Further information on the corporate governance practices of the Company is set out in the Corporate Governance Report on pages 100 to 110 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group must comply with a number of laws and regulations, which mainly include the PRC Company Law, the Civil Code of the PRC, the Drug Administration Law of the PRC, domestic and foreign securities laws, regulations and exchange rules such as the Hong Kong Listing Rules, the Shanghai Listing Rules and the SFO, as well as other applicable regulations, policies and regulatory legal documents promulgated pursuant to the aforementioned laws, regulations and rules.

Through various measures such as internal control, compliance management, business approval procedures and employee training, the Group ensures the compliance with applicable laws, regulations, and regulatory legal documents (especially those that have significant impact on the main business). Whenever there are any changes to the applicable laws, regulations, and regulatory legal documents, the Group will notify the relevant employees and the operating team from time to time.

During the Reporting Period, as far as the Directors of the Company were aware, there was no non-compliance with the relevant laws and regulations which would have a material impact on the Group.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group comply with the Environmental Protection Law of the PRC, Environmental Impact Assessment Law of the PRC, Environmental Protection Tax Law of the PRC and other laws and regulations. The Company and relevant subsidiaries have established the EHS special committee and the EHS team to establish and continuously improve EHS-related policies and formulate EHS management strategic objectives. Subsidiaries of the Company continue to improve the environmental management system and operating procedures for pollution prevention and control facilities to ensure that all production processes comply with the requirements of laws, regulations and technical specifications for ecological and environmental protection, as well as to establish and improve environmental management ledgers to record the operation and management of pollution prevention and control facilities, testing records and other environmental management information. For details on environmental policies and performance, please refer to the section "Environmental Protection" of the Environmental, Social and Governance Report.

AUDIT COMMITTEE

On 1 June 2022, the Company convened the 2021 annual general meeting and the ninth session of the Board was formed through election. Moreover, the members of the Audit Committee of the ninth session of the Board were elected at the first meeting of the ninth session of the Board. During the Reporting Period, the Audit Committee of the eighth session and ninth session of the Board comprised independent non-executive Directors Mr. Tang Guliang (chairman), Ms. Li Ling and Mr. Wang Quandi.

The main duties of the Audit Committee are to review and monitor the financial reporting procedures and internal control system of the Group, and to provide recommendations and advice to the Board.

The Audit Committee of the Company has reviewed the 2022 annual results of the Group.

AUDITORS

The consolidated financial statements of the Group have been audited by Ernst & Young.

A resolution for re-appointing Ernst & Young as the auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

On Behalf of the Board
Wu Yifang
Chairman

Shanghai, PRC
27 March 2023

Supervisory Committee Report

A. DURING THE REPORTING PERIOD, THE DAILY OPERATION OF THE SUPERVISORY COMMITTEE IS AS FOLLOWS:

In 2022, the eighth and ninth sessions of the Supervisory Committee carried out the work diligently, lawfully and efficiently in accordance with the Articles of Association and the Rules of Procedures for the Supervisory Committee's Meeting of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (《上海復星醫藥(集團)股份有限公司監事會議事規則》):

Supervisors attended relevant board meetings, and held 8 Supervisory Committee Meetings in 2022. Details are as follows:

1. On 22 March 2022, the Company convened the first meeting of the eighth session of the Supervisory Committee in 2022 (a regular meeting) to review and approve the 2021 Annual Report of the Group, the Working Report of the Supervisory Committee for 2021, the 2021 Internal Control Assessment Report, and the Special Report of the Placement and Actual Use of the Proceeds in 2021, and the resolution in relation to the provision for asset impairment in 2021.

2. On 7 April 2022, the Company convened the second meeting of the eighth session of the Supervisory Committee in 2022 (a special meeting) to review and approve the resolution in relation to the nominees for members of the ninth session of the Supervisory Committee of the Company.

3. On 26 April 2022, the Company convened the third meeting of the eighth session of the Supervisory Committee in 2022 (a regular meeting) to review and approve the 2022 First Quarterly Report of the Group.

4. On 1 June 2022, the Company convened the first meeting of the ninth session of the Supervisory Committee in 2022 (a special meeting) to elect the chairman of the ninth session of the Supervisory Committee of the Company.

5. On 1 August 2022, the Company convened the second meeting of the ninth session of the Supervisory Committee in 2022 (a special meeting) to review and approve the resolutions in relation to the Use of Proceeds to Replace the Self-raised Funds Invested into the Projects Funded by Proceeds and the Temporary Replenishment of Working Capital with Some of the Idle Proceeds.

6. On 29 August 2022, the Company convened the third meeting of the ninth session of the Supervisory Committee in 2022 (a regular meeting) to review and approve the 2022 Interim Report of the Group, the Special Report of the Placement and Actual Use of the Proceeds in the first half of 2022 of the Group, the 2022 Interim Internal Control Assessment Report, Shanghai Fosun Pharmaceutical (Group) Co., Ltd. 2022 Restricted A Shares Incentive Scheme (Draft) and its abstract, the Management Measures for the Appraisal System of the 2022 Restricted A Shares Incentive Scheme of Shanghai Fosun Pharmaceutical (Group) Co., Ltd., the Participants List of the First Grant of the 2022 Restricted A Shares Incentive Scheme and Shanghai Fosun Pharmaceutical (Group) Co., Ltd. 2022 H Share Employee Share Ownership Scheme (Draft) and its abstract.

7. On 28 October 2022, the Company convened the fourth meeting of the ninth session of the Supervisory Committee in 2022 (a regular meeting) to review and approve the 2022 Third Quarterly Report of the Group.

8. On 1 December 2022, the Company convened the fifth meeting of the ninth session of the Supervisory Committee in 2022 (a special meeting) to review and approve the resolutions in relation to the Adjustment to the Participants List of the First Grant of the 2022 Restricted A Shares Incentive Scheme and the Number of Restricted A Shares Involved, and the First Grant of the 2022 Restricted A Shares Incentive Scheme.

B. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE LAWFUL OPERATION OF THE COMPANY

The Supervisory Committee is of the view that, during the Reporting Period, the operation of the Company had been consistent with the provisions of the PRC Company Law, the PRC Securities Law and the Articles of Association; that the decision-making process of the Company had been in compliance with the laws, and the Company had established a relatively comprehensive internal control system; and that the Directors and senior management of the Company, in discharging their duties, had not violated any law, regulation or the Articles of Association, nor had they acted in a way which is prejudicial to the interests of the Company.

C. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE FINANCIAL POSITION OF THE GROUP

The Supervisory Committee agrees with the audit opinion issued by Ernst & Young Hua Ming LLP and Ernst & Young on the 2022 financial report of the Group.

D. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE ACQUISITIONS OR DISPOSALS OF ASSETS BY THE GROUP

The Supervisory Committee is of the view that the Group acquired and disposed of assets at reasonable prices, and it was not aware of any insider dealing or any act that was prejudicial to the interests of Shareholders or resulting in any loss of assets of the Group during the Reporting Period.

E. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON RELATED PARTY/ CONNECTED TRANSACTIONS OF THE GROUP

The Supervisory Committee is of the view that the related party/connected transactions of the Group were fair, and were not prejudicial to the interests of the Group during the Reporting Period.

F. THE REVIEW OF THE INTERNAL CONTROL ASSESSMENT REPORT BY THE SUPERVISORY COMMITTEE

The Supervisory Committee has reviewed the 2022 Internal Control Assessment Report of the Group, and considers that the Group has established an appropriate internal control system in all material respects. During the Reporting Period, the internal control system has operated efficiently, which ensures the implementation of the internal control measures and the normal conduct of production and operation.

On Behalf of the Supervisory Committee
Ren Qian
Chairman

Shanghai, PRC
27 March 2023

Corporate Governance Report

The Board hereby presents to the Shareholders the corporate governance report of the Group for the year ended 31 December 2022 (the "**Corporate Governance Report**").

CORPORATE GOVERNANCE PRACTICES

As a company whose shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, the Company has strictly complied with its Articles of Association, relevant regulations, the Hong Kong Listing Rules and the Shanghai Listing Rules. The Company is committed to continuously improving its corporate governance structure, and optimizing its internal management and control and its business operation in order to improve the corporate governance of the Company.

The Company's corporate governance practices are based on the principles and Code Provisions as set out in the CG Code contained in Appendix 14 to the Hong Kong Listing Rules.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders and to enhance corporate value and accountability.

The Board is of the view that throughout the Reporting Period, the Company had complied with all the code provisions as set out in the CG Code, except for the deviation as disclosed below.

Under the Code Provision C.2.1, the roles of chairman and chief executive officer should be separate and not performed by the same individual. Since the beginning of the Reporting Period and up to 1 June 2022, executive Director Mr. Wu Yifang has been serving as the chairman of the Board and the chief executive officer of the Company. Mr. Wu Yifang joined the Group in April 2004 and has been successively serving in key positions in management and operation of subsidiaries of the Company and the Company. Although Mr. Wu Yifang serving as both the chairman of the Board and chief executive officer deviates from Code Provision C.2.1, his familiarity with the business operation of the Group and the role of the chairman of the Board and chief executive officer vested in him can facilitate the implementation of business strategies of the Group. Meanwhile, since the beginning of the Reporting Period to 1 June 2022, the Board (comprising three executive Directors[Note], four non-executive Directors and four independent non-executive Directors and thus the total number of non-executive Directors (including non-executive Directors and independent non-executive Directors) is greater than that of executive Directors) is appropriately structured with a balance of power to provide sufficient checks to protect the interests of the Company and the Shareholders as a whole. Accordingly, the Board considers that the deviation from the Code Provision C.2.1 is appropriate in such circumstances.

Since 1 June 2022, Mr. Wu Yifang ceased to serve as the chief executive officer of the Company, but remains an executive Director and the chairman of the Board. From 1 June 2022 to the end of the Reporting Period, the Company has complied with all the applicable code provisions contained in the CG Code.

Note: An executive Director has been appointed on 10 August 2022; the Board comprises four executive Directors as at the date of this report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules and formulated the Written Code as its code of conduct regarding securities transactions.

Specific enquiries have been made to all the Directors and the Directors have confirmed that they had complied with the Model Code and the Written Code throughout the Reporting Period.

No incident of non-compliance of the Written Code by the Directors and relevant employees is noted by the Company.

BOARD OF DIRECTORS

As at the end of the Reporting Period, the Board constituted twelve members, including four executive Directors, four non-executive Directors and four independent non-executive Directors.

The composition of the Board is as follows:

Executive Directors:

Mr. Wu Yifang (吳以芳) *(Chairman)*
Mr. Wang Kexin (王可心)[1] *(Co-Chairman)*
Ms. Guan Xiaohui (關曉暉)[2] *(Vice Chairman)*
Mr. Wen Deyong (文德鏞)[3] *(Chief Executive Officer)*

Non-executive Directors:

Mr. Chen Qiyu (陳啟宇)
Mr. Yao Fang (姚方)
Mr. Xu Xiaoliang (徐曉亮)
Mr. Pan Donghui (潘東輝)

Independent non-executive Directors:

Ms. Li Ling (李玲)
Mr. Tang Guliang (湯谷良)
Mr. Wang Quandi (王全弟)
Mr. Yu Tze Shan Hailson (余梓山)

Notes:

1 Appointed as vice chairman of the Company on 4 January 2022, and appointed as co-chairman of the Company on 1 June 2022.

2 Appointed as vice chairman of the Company on 4 January 2022.

3 Appointed as chief executive officer of the Company on 1 June 2022, and appointed as executive Director of the Company on 10 August 2022.

Biographical information of the Directors is set out on pages 179 to 183 of this annual report.

The members of the Board do not have any relationship, including financial, business, family or other material or relevant relationship, with each other.

Chairman of the Board and Chief Executive Officer of the Company

From the beginning of the Reporting Period until 1 June 2022, Mr. Wu Yifang served as the chairman of the Board and chief executive officer of the Company. He provided leadership and was responsible for the effective functioning of the Board. He was also responsible for the Group's business development and daily management and operations generally.

To further optimize the corporate governance of the Company and ensure the compliance of applicable code provisions as set out in the CG Code, from 1 June 2022, the positions of chairman and chief executive officer of the Company were served by Mr. Wu Yifang and Mr. Wen Deyong, respectively. The chairman provides leadership and is responsible for the effective functioning of the Board. The chief executive officer generally focuses on the business development and daily management and operation of the Company. Their respective duties have been clearly defined in written form.

Independent Non-executive Directors

During the Reporting Period, the Board at all times met the requirements of the Hong Kong Listing Rules relating to the appointment of at least three independent non-executive directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise, and the independent non-executive directors represent at least one-third of the Board.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with Rule 3.13 of the Hong Kong Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment, Removal and Re-election of Directors

Directors shall have a term of office of three years and shall be entitled to be re-appointed when the term of office expires provided that the term of office of independent non-executive Directors shall not exceed six years. The Company has entered into a service contract with each executive Director and a letter of appointment with each non-executive Director and independent non-executive Director for a term of three years of each session (unless otherwise required by relevant laws and regulations). The appointment and removal of Directors shall be approved by Shareholders in general meeting.

Responsibilities, Accountabilities and Contributions of the Board and the Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the development of the Group by directing and supervising its affairs. Directors shall make decisions objectively in the interests of the Company.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective operation.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the joint company secretaries and senior management to ensure independent views and input are available to the Board. The Directors may also, upon request, seek independent professional advice in appropriate circumstances, at the Company's expense for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves for its decision as to all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Group. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Group are delegated to the senior management.

Continuous Professional Development of Directors

Directors shall keep abreast of responsibilities as a director of the Company and of the conduct, business activities and developments of the Group. The Directors make full use of various channels to participate in trainings in respect of operations of listed companies and continuously enhance their performance capabilities, including but not limited to various types of special training/forums and continuous professional development courses, as well as the implementation briefings of regulatory communications/listing rules published by each stock exchange where the Company is listed.

Every newly appointed Director will receive formal, comprehensive and tailored induction when he/she was first appointed to ensure appropriate understanding of the business and operations of the Group and full awareness of his/her responsibilities and obligations under the Hong Kong Listing Rules and relevant laws and regulations.

All Directors had participated in a continuous professional development program during the Reporting Period in order to refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expense.

According to the records maintained by the Company, for the year ended 31 December 2022, all Directors received training with an emphasis on the roles, functions and duties as a director of a listed company in compliance with the code provisions relating to continuous professional development under the CG Code. In addition, relevant training, reading materials and legal and regulatory updates have been provided to the Directors for their reference and studying. The continuous professional development records of the Directors for the year ended 31 December 2022 are set out in the table on page 106 of this annual report.

BOARD COMMITTEES

As at the end of the Reporting Period, the Board had established five committees, namely, Strategic Committee, Audit Committee, Nomination Committee, Remuneration and Appraisal Committee and Environmental, Social and Governance Committee, for overseeing all aspects of the Group's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website (http://www.fosunpharma.com) and the Hong Kong Stock Exchange's website (http://www.hkexnews.hk) and are available to Shareholders upon request.

The majority of the members of each Board committee (except the Strategic Committee) are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 4 of this annual report.

Strategic Committee

The primary responsibilities of the Strategic Committee are to research and advise on the strategic planning of the Group's medium and long-term development and major issues affecting the Group's development, and to approve research reports on development strategy.

In 2022, the Strategic Committee held one meeting to research and advise on the strategic planning of the Group's 2022-to-2032 period and medium and long-term development.

Audit Committee

The main duties of the Audit Committee are to assist the Board to review the financial information and periodic reports, to review and monitor internal control procedures and its risk management system, to review and monitor the effectiveness of the internal audit function, to review and inspect the appointment and removal of external auditors, to formulate and review the Company's corporate governance and practices, and to make recommendations on the above matters.

In 2022, the Audit Committee held 18 meetings to review periodic reports, audit plan, internal control implementation, major and ongoing related party/connected transactions, and make recommendations to the Group on strengthening the internal control system.

In 2022, the Audit Committee also held 2 meetings with the external auditors without the presence of the executive Directors.

Nomination Committee

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors and senior management, making recommendations to the Board on the appointment and succession planning of Directors, assessing the independence of independent non-executive Directors and reviewing the training and continuous professional development of Directors and senior management.

The Board has adopted a nomination policy, setting out the standards and procedures for nomination and appointment of directors, to ensure the members of the Board have the skills, knowledge, experience and diversity that meet the business requirements of the Group and to ensure the continuity of the Board and maintain its leadership, for the nomination of candidates for directorship of the Company by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Group's needs and other relevant statutory requirements and regulations.

In 2022, the Nomination Committee held 5 meetings to discuss, approve and make recommendations to the Board on matters relating to candidates for the ninth session of the Board of the Company and the selection of senior management of the Company. The Nomination Committee considered an appropriate balance of diversity of the Board had been maintained.

Remuneration and Appraisal Committee

The primary duties of the Remuneration and Appraisal Committee include formulating, reviewing and making recommendations to the Board on the remuneration policy and structure for Directors and senior management, reviewing the performance of duties by Directors and senior management as well as reviewing their annual performance appraisal and remuneration packages.

In 2022, the Remuneration and Appraisal Committee held 4 meetings to review the performance appraisal and remuneration packages of the executive Directors and senior management of the Company during the prior year and the appraisal plan for the current year, to formulate the share incentive scheme and employee share ownership scheme of the Company and its subsidiaries, and to make recommendations to the Board. The Remuneration and Appraisal Committee is of the view that the 2022 Restricted A Share Incentive Scheme and 2022 H Share Employee Share Ownership Scheme (including the unlocking-period/vesting period and performance targets of these schemes) adopted during the Reporting Period were formulated after comprehensively considering the strategic development planning of the Group and its development phase, and were given consideration to challenge and feasibility. The schemes could promote the establishment and improvement of the incentive and restraint mechanism of the Group, fully mobilize the enthusiasm of the executive Directors and senior management personnel of the Company and employees of the Group, effectively align the interests of the Company and Shareholders with the interests of the participants to focus the long-term development of the Group and achieve the development goals of the Group.

Environmental, Social and Governance Committee

The primary duties of the Environmental, Social and Governance Committee (the "**ESG Committee**") include formulating the environmental, social and governance ("**ESG**") vision, targets, strategies and structure and reviewing the implementation of the ESG vision, strategies and structure, evaluating the external and internal impacts of ESG efforts, obtaining feedbacks on ESG efforts from internal and external consultants or experts, reviewing the reports on relevant results, reviewing the progress of the fulfillment of ESG goals, and making recommendations on the improvement for ESG efforts in the next phase.

In 2022, the ESG Committee held 2 meetings to review the 2021 ESG report and the 2022-2023 ESG working plan of the Group, and make recommendations on relevant risk control (including but not limited to ESG risks and climate change) to the Board.

CORPORATE GOVERNANCE RESPONSIBILITIES

The Board is responsible for performing the functions as set out in Code Provision A.2.1 of the CG Code to ensure that the Company has established comprehensive corporate governance practices and procedures. During the Reporting Period, the Board:

(1) established (modified) and reviewed the corporate governance policies and practices of the Company as well as made relevant recommendations;

(2) reviewed and monitored the training and continuous development of the Directors and senior management;

(3) reviewed and monitored the policies and practices of the Company regarding the compliance of relevant legal and regulatory requirements;

(4) established (modified), reviewed and monitored the code of conduct for Directors and employees; and

(5) reviewed as to whether the Company has complied with the CG Code and made disclosures in the Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board meetings and Board committee meetings of the Company held for the year ended 31 December 2022 is set out in the table below:

	Attendance/Number of Meetings							
Name of Directors	Board	Strategic Committee	Audit Committee	Nomination Committee	Remuneration and Appraisal Committee	ESG Committee	General Meeting[1]	Continuous Professional Development
Executive Directors								
Mr. Wu Yifang[2]	33/33	1/1(C)				2/2(M)	4/7	✓
Mr. Wang Kexin	33/33						3/7	✓
Ms. Guan Xiaohui	33/33						7/7	✓
Mr. Wen Deyong[3]	11/11						3/3	✓
Non-executive Directors								
Mr. Chen Qiyu[4]	33/33	1/1(M)			4/4(M)		4/7	✓
Mr. Yao Fang	33/33	1/1(M)					4/7	✓
Mr. Xu Xiaoliang	33/33	1/1(M)					4/7	✓
Mr. Pan Donghui	33/33			5/5(M)	4/4 (M)		0/7	✓
Independent Non-executive Directors								
Ms. Li Ling	33/33	1/1(M)	18/18(M)	5/5(M)		2/2(M)	4/7	✓
Mr. Tang Guliang	33/33		18/18(C)		4/4(M)		4/7	✓
Mr. Wang Quandi	33/33		18/18(M)	5/5(C)	4/4(M)		7/7	✓
Mr. Yu Tsz Shan Hailson	33/33				4/4(C)	2/2(C)	4/7	✓

Notes:

(1) During the Reporting Period, the Company held a total of 7 general meetings, including 1 annual general meeting, 2 extraordinary general meetings, 2 A Shareholders class meetings and 2 H Shareholders class meetings.

(2) Mr. Wu Yifang (member of the Strategic Committee) was appointed as the chairman of the Strategic Committee on 1 June 2022.

(3) Mr. Wen Deyong was appointed as an executive Director at the 2022 first extraordinary general meeting of the Company held on 10 August 2022. During his term of office in the Reporting Period, he was required to attend 11 meetings of the Board and 3 general meetings/class meetings.

(4) Mr. Chen Qiyu retired as the chairman of the Strategic Committee on 1 June 2022 but remained a member of the Strategic Committee.

(5) (C) — Chairman of the committee; (M) — Committee member.

During the year ended 31 December 2022, the Company convened a meeting among the chairman and independent non-executive Directors only without the presence of other Directors.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2022. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 190 to 196.

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services for the annual report for the year ended 31 December 2022 amounted to RMB4.76 million. There is no remuneration paid to external auditors in respect of significant non-audit services.

INTERNAL CONTROL

The Board, particularly the Audit Committee, is responsible for maintaining sound and effective internal control systems in order to safeguard the Group's assets and Shareholders' interests, and reviewing and monitoring the effectiveness of the Group's internal control and risk management systems on a regular basis in order to ensure that the internal control and risk management systems in place are adequate. The Company conducts reviews of the effectiveness of the internal control systems on a regular basis in order to ensure that they are able to satisfy and deal with different scenarios and the dynamic business environment.

During the Reporting Period, the Board, through the Audit Committee, conducted an annual review of the effectiveness on the internal control system of the Group, including review of all the Group's material controls, including financial operations and compliance controls and risk management functions, as well as review of the adequacy of accounting, internal audit, financial reporting functions, as well as resources, staff qualifications and experience, training programs and budget relating to the Group's ESG performance and reporting.

Through years of optimization, the Group proactively promoted the continuous improvement of internal control management system in terms of internal environment, risk assessment, activity control, information and communication, as well as internal supervision. Meanwhile, through internal inspection and supervision, communication and feedback, the Group can ensure the effective implementation of relevant administrative rules, smooth communication of feedback received, discovery of defaults and timely rectification. During the Reporting Period, the Group has maintained effective internal control in accordance with rules under laws and regulations and requirements of internal control. Operations were conducted normally, orderly and effectively.

In respect of the procedures for handling and announcement of inside information and internal control measures, the Company has adopted the Management System for Person Accessing to Inside Information of Shanghai Fosun Pharmaceutical (Group) Co., Ltd., aiming to further regulate the management of inside information and person accessing to inside information.

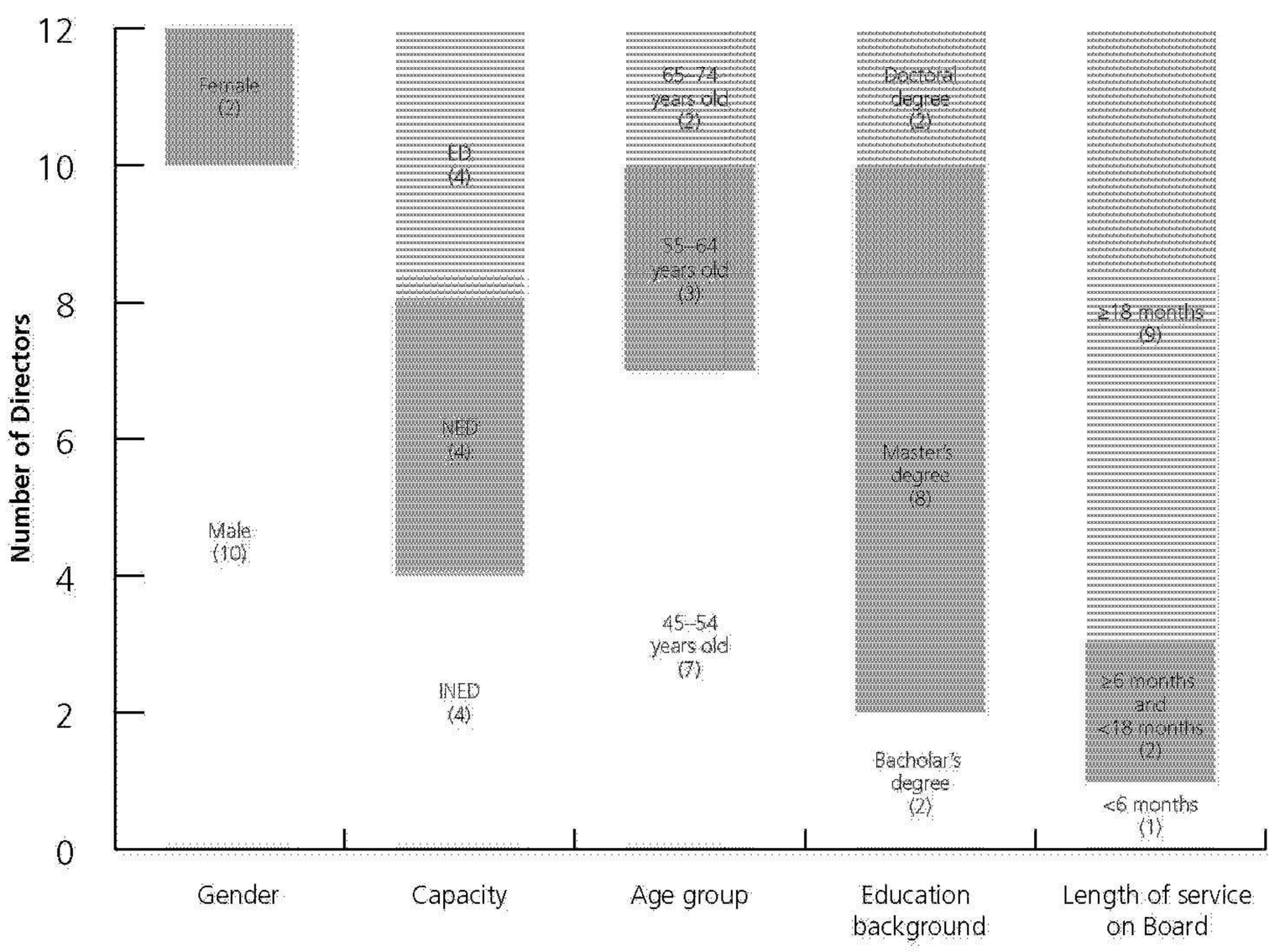
The Board believes that existing internal control system was adequate and effective during the Reporting Period.

JOINT COMPANY SECRETARIES

As at the end of the Reporting Period, Ms. Dong Xiaoxian and Ms. Kam Mei Ha Wendy of Tricor Services Limited, an external service provider, were the joint company secretaries of the Company. The primary contact person for Ms. Kam Mei Ha Wendy was Ms. Dong Xiaoxian, who was a vice president, secretary to the Board and a joint company secretary of the Company. During the Reporting Period, both Ms. Dong Xiaoxian and Ms. Kam Mei Ha Wendy attended no less than 15 hours of professional training.

DIVERSITY

In August 2013, the Company adopted the Board Diversity Policy (the "**Policy**"), which has been made available on the Company's website. The Nomination Committee, in nominating and appointing new Board members, shall consider a range of diversity perspectives pursuant to the Policy, including but not limited to gender, age, culture and education background, professional experience, skills, knowledge and term of service, and make the final decision based on the merits and contribution that the candidate will bring to the Board. When nominating a successive director, the Nomination Committee will also adopt measures, including taking into consideration of the gender of the former director and successive director, to ensure the gender diversity of the Board. The Nomination Committee will review the Policy from time to time to ensure its continued effectiveness. The Nomination Committee viewed that during the Reporting Period, the said diversity elements have been substantially included into the Board composition. An analysis of the Board's diversity as at the end of the Reporting Period is set out as follows:



In December 2022, the Company also adopted the Diversity Policy of Employees of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. to protect employees free from race, color, gender, religion, nationality, disability, marital status, retirement status, sexual orientation, gender identity or other legally protected status, so that all employees gained a sense of belonging, respect and value. Please refer to the section headed "Diversity and Equal Opportunity" in the Environmental, Social and Governance Report for the analysis of the employees' diversity of the Group as at the end of the Reporting Period.

RIGHTS OF SHAREHOLDERS

To safeguard the interests and rights of the Shareholders, a separate resolution is proposed for each substantially separate issue at the general meetings, including the election of individual Directors. All resolutions put forward at the general meetings will be voted on by poll pursuant to the Hong Kong Listing Rules except where the chairman of the meeting, in good faith, decides to allow a resolution which relates merely to a procedural or administrative matter to be voted on by a show of hands, and poll results will be posted on the websites of the Company and of the Hong Kong Stock Exchange after each the general meeting.

(1) Shareholder's requests to convene an extraordinary general meeting

Pursuant to Article 71 of the Articles of Association, if Shareholders require the convening of an extraordinary general meeting or a class general meeting, the following procedures shall be followed:

(i) Shareholders individually or jointly holding more than ten percent (10%) of the Company's shares shall have the right to make a request in writing to the Board for the holding of an extraordinary general meeting, which request shall be in writing. The Board shall, in accordance with the laws, administrative regulations and the Articles of Association, make a written response within ten (10) days after receipt of such request as to whether or not it agrees that an extraordinary general meeting should be held.

(ii) If the Board agrees to convene an extraordinary general meeting, it shall serve a notice of such general meeting within five (5) days after the resolution has been made by the Board. Any change to the original proposal set forth in the notice shall be subject to approval by the relevant Shareholders.

(iii) If the Board does not agree to convene an extraordinary general meeting or fails to give a written reply within ten (10) days after receipt of the request, the Shareholders individually or jointly holding more than ten percent (10%) of shares of the Company shall have the right to request the Supervisory Committee to convene an extraordinary general meeting, and shall put forward such request to the Supervisory Committee in writing.

(iv) If the Supervisory Committee agrees to convene an extraordinary general meeting, it shall serve a notice of such general meeting within five (5) days after receipt of the said request. In the event of any change to the original request set forth in the notice, the consent of the relevant Shareholders shall be obtained.

(v) If the Supervisory Committee fails to serve the notice of such general meeting within the prescribed period, it shall be deemed as having failed to convene and preside over the general meeting, and the Shareholders individually or jointly holding ten percent (10%) or more shares of the Company for ninety (90) consecutive days may convene and preside over the meeting on their own, the procedures for convening such meeting shall follow those for convening a general meeting by the Board as closely as practicable.

(vi) When the Shareholders convene a general meeting as the Board has failed to convene the meeting pursuant to the aforesaid provision, the reasonable expense incurred shall be borne by the Company and shall be deducted from the outstanding amounts payable by the Company to the defaulting Directors.

(2) Proposals of General Meetings

Pursuant to Article 76 of the Articles of Association, Shareholders individually or jointly holding more than three percent (3%) of the shares of the Company shall have the right to put forward motions to the Company, and the Company shall include in the agenda of the said general meeting the matters of the said motions falling within the term of reference of general meetings. In addition, Shareholders individually or jointly holding more than three percent (3%) of the shares of the Company may submit written provisional motion(s) to the convener not later than ten (10) days before a general meeting is convened. The convener shall serve a supplementary notice of general meeting within two (2) days after receipt of the motion(s) and announce the contents thereof.

(3) Putting Forward Enquiries to the Board

If any shareholder wants to raise any enquiries to the Board, such Shareholder may send written enquiries to the Company.

Note: The Company normally does not deal with verbal or anonymous enquiries.

(4) Primary Contact Persons

Shareholders may send their enquiries or requests as mentioned above to the Company by means of facsimile, email or post. The details of contact are as follows:

Shanghai Fosun Pharmaceutical (Group) Co., Ltd.
Address: Building A, No. 1289 Yishan Road, Shanghai, China
Fax: 8621-33987871
Email: ir@fosunpharma.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice, statement, or enquiry (as the case may be) to the above address, apart from the registered office of the Company, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information will be disclosed in accordance with applicable laws.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings of the Company.

As illustrated above, the Company has listed the rights of shareholders of the Company and the channels for shareholders to express or solicit opinions from shareholders, so that shareholders can understand their rights and how to exercise them. The Company also reviewed the implementation and effectiveness of the shareholder communication policy during the Reporting Period.

On 10 August 2022, the resolution in relation to the amendments to Article 1, Article 24, Article 25, Article 29, Article 37, Article 65, Article 66, Article 71, Article 72, Article 78, Article 79, Article 102, Article 103, Article 109, Article 111, Article 112, Article 115, Article 122, Article 134, Article 143, Article 145, Article 153, Article 167, Article 168, Article 175, Article 214, Article 259, Article 276, Article 278 and Article 279 of the Articles of Association was passed at the 2022 first extraordinary general meeting. On 12 August 2022, based on the authorization granted at the 2020 third extraordinary general meeting of the Company, the Board approved the resolution in relation to the amendments to Article 21 and Article 24 to the Articles of Association. On 14 December 2022, based on the authorization granted at the 2022 second extraordinary general meeting, the 2022 second A shareholders class meeting and the 2022 second H shareholders class meeting, the Board approved the resolution in relation to the amendments to Article 21 and Article 24 to the Articles of Association. The latest version of the Articles of Association is available at the Company's website and the website of Hong Kong Stock Exchange.

To promote effective communication, the Company maintains an official website at http://www.fosunpharma.com, where information and updates on the Group's business developments and operation, financial information, corporate governance practices and other information are available for public access.

Environmental, Social and Governance Report

ABOUT THIS REPORT

After the issuance of the Corporate Social Responsibility Reports for 15 consecutive years, we came to realize that, with the enhanced awareness of environmental, social and governance (hereinafter referred to as "ESG") of the international community, the capital market is more likely to comply with ESG investment and ESG capability will be taken as an important indicator in the evaluation of corporate values. This ESG Report is hereby disclosed in response to the Group's focus on the environment, society and governance.

BASIS OF PREPARATION

This report is prepared in accordance with the ESG Reporting Guide as set out in Appendix 27 to the Hong Kong Listing Rules. In response to the concerns of investors with the ESG performance of the Group (hereinafter referring to Fosun Pharma and its subsidiaries), this report also refers to and responds to the issues concerned by Morgan Stanley Capital International ESG rating (i.e. MSCI ESG rating).

The Group also simultaneously released the 2022 Corporate Social Responsibility Report to acquaint shareholders with more detailed information related to the social responsibility and sustainable development of the Group.

Scope and Boundary of Report

The scope of disclosure of this report is consistent with that of financial information in the Group's 2022 Annual Report.

Data Source and Reliability Assurance

The data and cases contained herein are mainly from the statistical reports and relevant documents of the Group. The Group commits that there are not any false records or misleading statements in this report, and is liable for the authenticity, accuracy and integrity of the contents therein.

Confirmation and Approval

This report was adopted by the Board of Directors on 27 March 2023 upon confirmation by the management.

Access to and Feedback of this Report

For an environmental friendly option, we suggest you to read the electronic version of the report, which can be obtained from the official website of the Company of http://www.fosunpharma.com.

Readers are welcome to contact us by the following ways. Your opinions will help us further improve this report and enhance the overall environmental, social and governance performance of the Group.

Contact information

Email: ir@fosunpharma.com
Address: Building A, (Fosun Science Park) No. 1289 Yishan Road, Shanghai

Environmental, Social and Governance Report

1. CORPORATE GOVERNANCE

The Group deeply understands that sound corporate governance is the foundation and assurance for the development of an enterprise. We strictly abide by the laws and regulations of the places where we operate to strengthen our own internal compliance management, and consolidate and further improve our corporate governance, thus ensuring that we operate in an efficient and correct way in compliance with regulations to achieve stable and long-term development. On such basis, the Group puts sustainable development into practice, pays attention to the needs and expectations of various stakeholders, and constantly improves its ESG management system with reference to its own business and development, thus comprehensively improving its ESG performance from the three dimensions of environment, society and governance.

1.1 Governance Structure

1.1.1 Specialization and Diversity

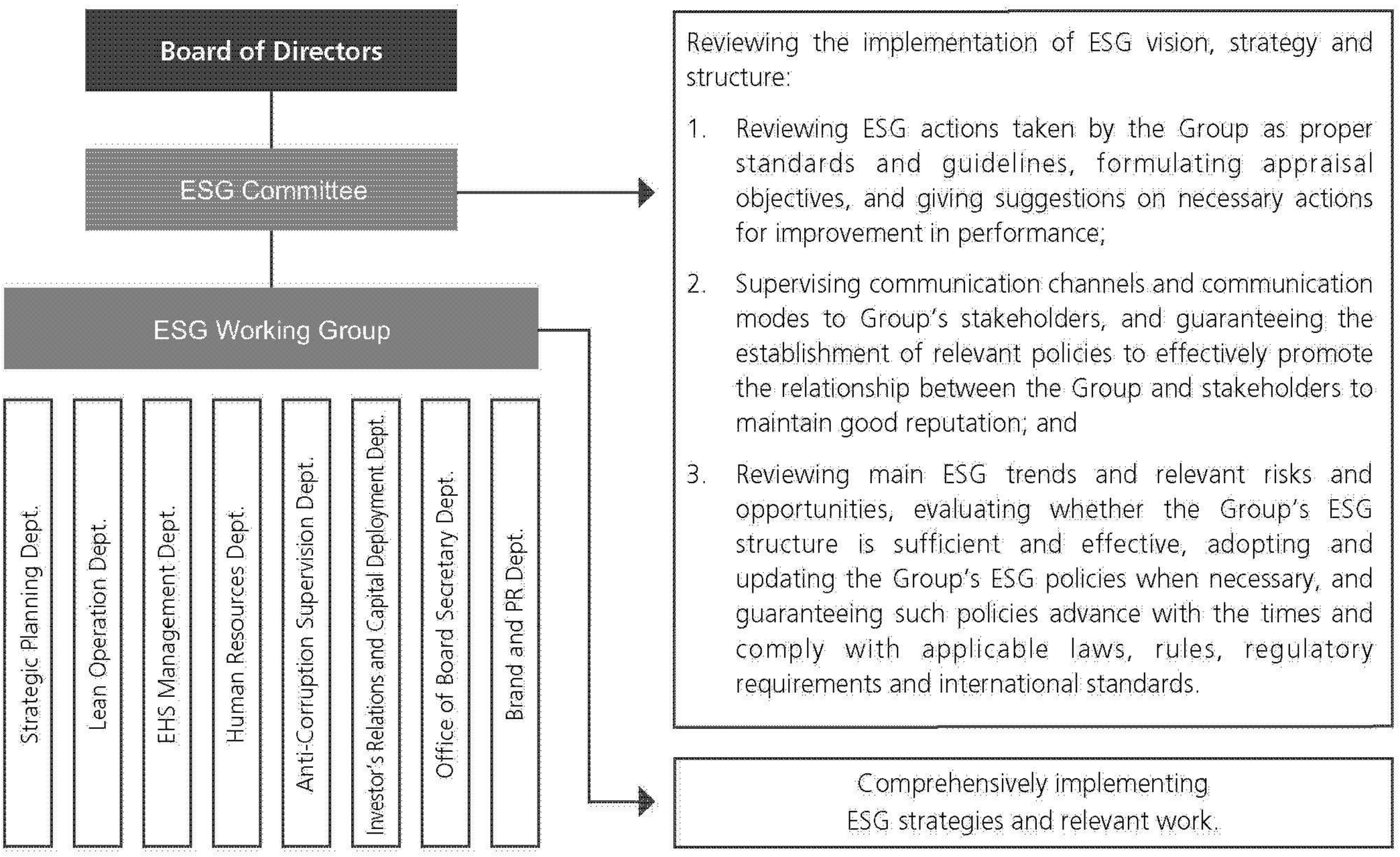
In compliance with the PRC Company Law, the PRC Securities Law and other national laws and regulations, the Guidelines for Corporate Governance of Listed Companies, as well as various standards and normative documents for listing in the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the Group continues to improve its corporate governance structure and has formulated a series of rules and regulations which meet the development requirements of the Group, such as the Articles of Association, so as to ensure the sustainable and steady development of the Group with a standardized governance system.

The Company has a corporate governance structure composed of, among others, the general meeting, the Board of Directors including various professional committees, the Supervisory Committee, the management and specialized working committees in place. The Strategy Committee, the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee, and the Environment, Social and Corporate Governance Committee (the "ESG Committee") under the Board of Directors are responsible for the overall governance and supervision, and regular review of the Company, in order to maintain a high standard of corporate governance, protect the rights and interests of all stakeholders, and enhance corporate value.

The Board of Directors, being the core organization of the Group's corporate governance structure and one of the important decision-makers in the operations of the Company, provides control over the directions, and guidance in corporate development and governance. We highly recognize the contribution of a diversified Board of Directors in corporate development, believing that diversified leadership is a key power for maintaining corporate competitiveness and promoting sustainable development. The *Board Diversity Policy* formulated in 2018 comprehensively considers the composition of Board members in terms of multiple dimensions such as gender, age, cultural and educational background, professional experience, skills, knowledge and service tenure, and ensures that only talent and qualified personnel are appointed. In addition, the Nomination Committee under the Board of Directors reviews the structure, size and composition of the Board of Directors every year, and makes recommendations on any changes to the Board of Directors to complement the Group's strategies to ensure the effective implementation of the policy. As at the end of the Reporting Period, the Board of Directors consisted of twelve Directors, four of which were independent non-executive Directors of the accounting, legal, management and strategy professions.

1.1.2 ESG Governance

In order to better promote the strategic layout of sustainable development, the Group has established a dedicated ESG governance structure to strengthen the top-level design of ESG governance, and further promote the coordinated management of the Group's sustainable development by the Board of Directors and the management. Our top-down ESG governance structure is composed of the Board of Directors, the ESG Committee and the ESG Working Group. In order to help the ESG Committee implement various ESG work in an orderly and standardized manner, we have formulated *the Scope of Authority and Implementation Rules of the ESG Committee of the Board of Directors* to ensure a clear and coordinated division of responsibilities at all levels to enhance the overall ESG performance of the Group.



ESG Governance Structure

Environmental, Social and Governance Report

Board Statement

Board Responsibilities

The Board of Directors is the highest responsible body for the ESG governance of the Group. In order to continuously improve the Group's own ESG governance structure and system, we have established an ESG management mechanism with the Board of Directors as the main body of responsibility, under which the ESG Committee and the ESG Working Group are established. The ESG Committee holds regular meetings to review and approve the ESG strategies and objectives, supervise and review the policies and progress against the objectives related to ESG issues, and review the public disclosure of ESG matters. In 2022, the ESG Committee held two meetings.

Risk Management

The Group regularly conducts identification and materiality assessment of risks relating to sustainable development, and the ESG Committee makes strategic recommendations to the Board of Directors on the management and control of related risks. The Board of Directors is responsible for reviewing the relevant risks and importance in the ESG report of the Group, and supervising the development and results of ESG risk management in the ESG report to ensure that all major ESG risks are under effective management and control.

Daily ESG Management

The ESG Working Group under the ESG Committee comprehensive promotes the implementation and execution of the ESG strategies and projects of the Group to build Fosun Pharma Group's own brand of corporate social responsibility. In order to proceed with each ESG project effectively and achieve its objectives, the Group has made ESG performance one of the performance assessment dimensions for the senior management, and linked it to the remuneration of the relevant team. The Group conducts annual assessment based on the achievement of ESG objectives and its performance, and adopts remuneration reward and disciplinary measures as supplemented by internal policy guidance.

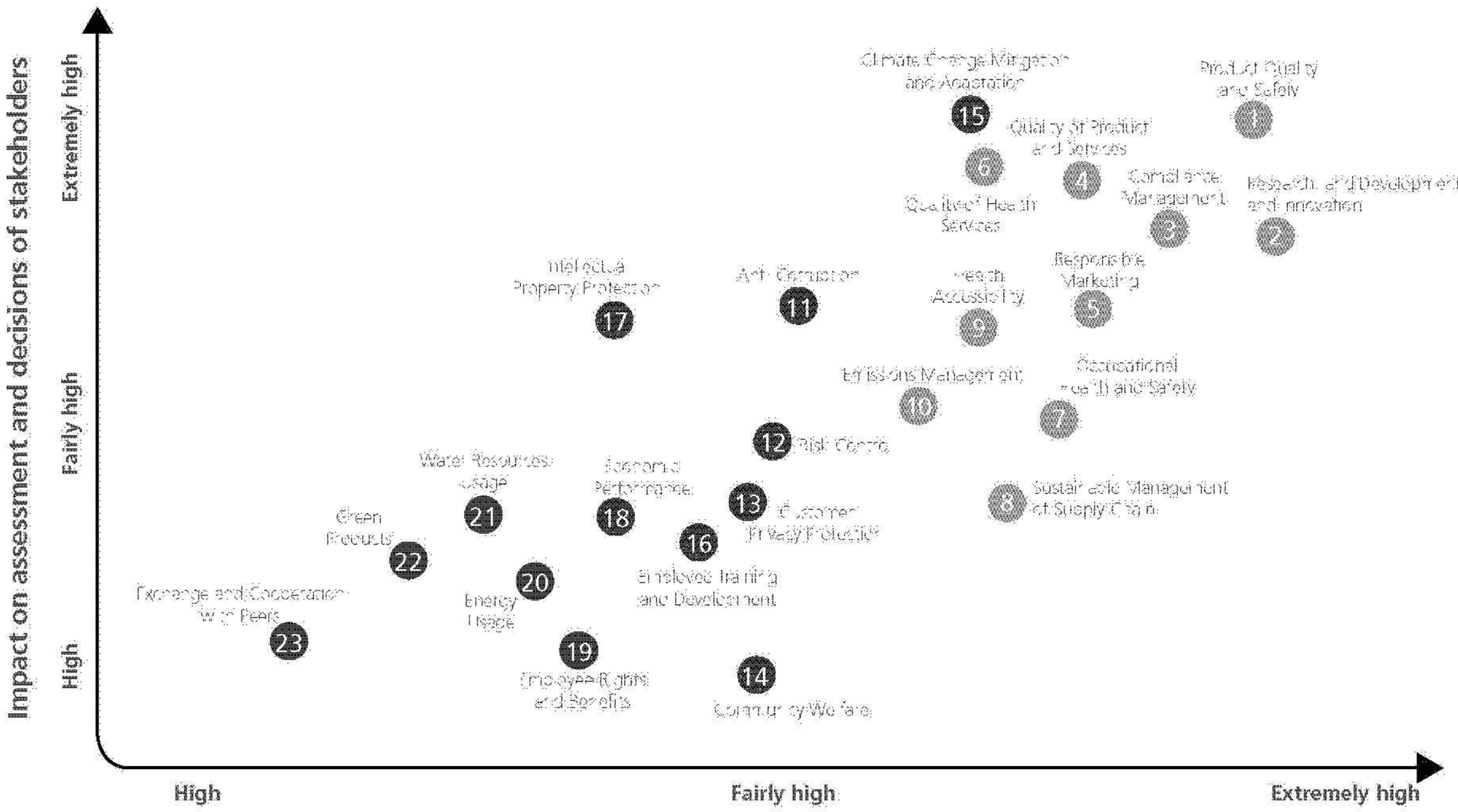
Material ESG Issues

The Group regularly communicates with internal and external stakeholders in connection with ESG materiality assessment. ESG opportunities and risks are under discussion, and ESG materiality assessment and prioritization are conducted in accordance with the risk assessment framework of the Group, so as to ensure the formulation of strategies and visions by the Company for the systematically rationalized ESG issues, and improve the ESG performance continuously to meet the requirements and expectations of stakeholders.

1.2 Risk Control

1.2.1 ESG risk identification

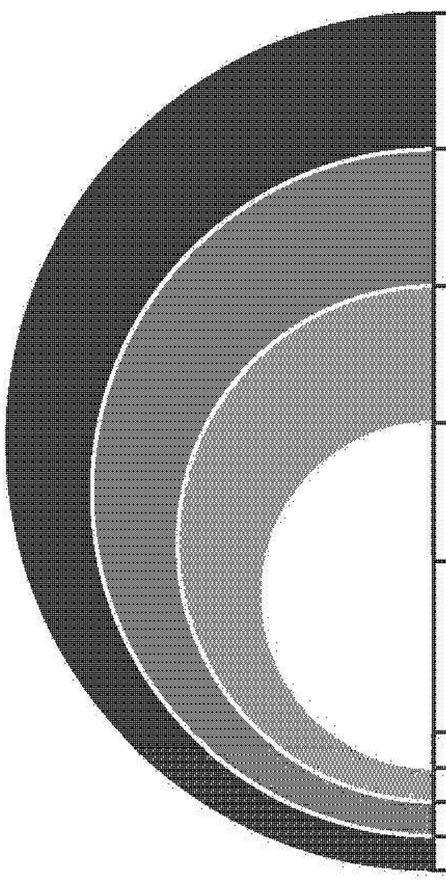
Fosun Pharma regularly analyzes, sorts out, updates, and identifies key ESG issues that require priority to be given by the Group in terms of environment, society, and governance with reference to national policies and industry development trends, the needs of stakeholders, the development strategy and operational priorities of the Group, the GRI Standards and the ESG Reporting Guide of the Hong Kong Stock Exchange. At the same time, we regularly update the prioritization of the importance of issues based on feedback from internal and external stakeholders and expert judgment to develop a materiality matrix to provide strong support for the long-term ESG strategies to be formulated by the Group.



1.2.2 Risk prevention and control

The establishment of a sound risk prevention and control system is a fundamental assurance of the long-term steady operations of the Group. We optimize the risk management and internal control management framework continuously through the formulation of The Internal Control Manual of Fosun Pharma Group in accordance with the related laws, regulations and regulatory requirements.

The Group has established an internal control management structure with a clear division of labor. There are corresponding management organizations to follow up and implement various work, from the establishment of internal control objectives to the actual implementation and supervision of internal control work. In addition, the Group has incorporated ESG risks and climate change-related risks into its risk management and internal control management framework, and monitors them together with other business risks. The impact of these risks is mitigated through proactive measures.



Supervisory Committee	• to supervise the establishment and implementation of internal control by the Board of Directors
Board of Directors	• to be responsible for the establishment, improvement and effective implementation of internal control
Audit Committee	• to be responsible for reviewing internal control, supervising the effective implementation of internal control and self assessment of internal control
Management	• to organize and lead the day-to-day operation of the Company's internal control
Risk and Control Bodies	• to be responsible for organizing the development of internal control, self-assessment of the effectiveness of internal control, and rectification of internal control defects, with work groups or dedicated personnel as execution units

Internal Control Management Structure

1.3 Business Ethics

The Group is committed to creating a fair and clean business environment and a fair and clean moral culture, and regards misconduct related to corruption as a "high-tension line" for management. We always restrain ourselves, employees and suppliers with the highest standard of business principles. Internal systems such as the *Regulations on Anti-Corruption*, the Anti-Commercial Bribery Agreement, *Provisions on Integrity Administration of Engineering Construction Projects*, *the Regulations on the Management of Employee Integrity in Practice*, the Administrative Measures for Cash and Gifts Received in Official Activities (Trial Implementation) and the Reward, Punishment and Appeal Management System clearly elaborate the ethics, legitimacy and the red line mechanism of the employees and suppliers, and bribery is strictly prohibited.

During the Reporting Period, in order to further improve the Group's business ethics system, popularize corporate culture and core values, promote corporate compliance and moral integrity, improve the Group's corporate governance capabilities according to law, and business ethics standardized management capabilities, and maintain the Group's good reputation and brand value to become a world-class enterprise with global competitiveness, the Group formulated and published *Guidelines on Business Ethics of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* in accordance with the professional ethics and code of conduct well recognized and generally followed in the industry and Shanghai Fosun Pharmaceutical (Group) Co., Ltd. Integrity Supervision and Management System, so as to implement business ethics management from multiple dimensions such as employee rights, information security, anti-corruption and anti-bribery, and international trade compliance.

Adhering to the anti-corruption principle of "investigating every case, learning from the past mistakes to avoid future ones, emphasizing investigation with the priority of prevention and addressing both symptoms and root causes", we have built a solid anti-corruption compliance control system of "prevention-detection-remediation", continuously strengthened the supervision of anti-corruption, and eliminated fraud and corruption, thus creating a clean and fair corporate atmosphere.

External partners	All internal staff of Fosun Pharma
• Suppliers and external partners shall formulate their own anti-corruption policies and enter into the Anti-Commercial Bribery Agreement as an annex to the contracts with the Group. • During the procurement process, the suppliers which participate in the bidding shall sign the Letter of Commitment on Integrity before signing up to undertake that they shall not engage in fraudulent behavior or offer unjust benefits to the staff in charge of tender in the bidding process.	• They shall sign the Employee Integrity Commitment of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. during induction.

The Group has established an anti-corruption and business ethics control system with four lines of defense as the main body, and the Board of Directors is responsible for supervising and reviewing related matters. We have stipulated the basic requirements of anti-corruption and business ethics from the four levels comprising system, financial monitoring, proactive review, and system improvement to ensure the stable operation of the Group.



Anti-corruption and Business Ethics Control System

In order to supervise the effective implementation of anti-corruption and business ethics-related systems, the internal audit department formulates key or targeted audit plans for subsidiaries or business lines every year, and submits them to the Board of Directors for review and approval before implementation. The internal audit plan for business ethics can cover all operating locations and business lines of the Group every three years. For violations of business ethics and corruption screened out in various business lines, the internal audit department will jointly conduct follow-up investigations with the Anti-Corruption Supervision Department. At the same time, in the process of cooperation with third parties, the Group regularly audits and supervises the integrity of all key suppliers to strengthen management and control.

In order to strengthen the awareness and understanding of the business code of conduct and anti-corruption system among employees, and implement the corporate culture of integrity and compliance, the Group regularly conducts business ethics and anti-corruption training for the headquarters and subsidiaries, covering all employees, part-time employees and contractors. During the Reporting Period, the Anti-Corruption Supervision Department of the Group provided a total of 16 anti-corruption training sessions or presentations, including 8 anti-corruption training sessions for all new recruits at the headquarters and Fosun Health, and an anti-corruption training session for each of the investment lines and strategic product sales lines. In addition, we have carried out publicity and implementation of anti-corruption awareness among all employees, suppliers and other partners by setting up the portal websites of the Commission for Discipline Inspection and the Anti-Corruption Supervision Department, publishing the Special Anti-corruption Issue and producing integrity publicity posters.

We continue to improve the whistle-blowing process against corruption cases, and encourage employees to speak out boldly through the channels we provide. The Group has established a complete whistle-blowing mechanism. By formulating the *Whistle-blowing Management Regulations*, *Whistleblower and Witness Protection Act and Reward Provisions* as well as other protection system documents, we encourages active supervision, both internally and externally, continuously improves protection measures for whistleblowers, strictly prevent disclosure of reported content and personal information of whistleblowers, and eliminate acts of retaliation against whistleblowers.

At the same time, the Group has established a sound whistle-blowing process. We conduct investigations and collect evidence on the reported cases we receive, deal with violations of laws and disciplines in accordance with the reward and punishment system of the Group, and report the results to the whistleblower in a timely manner.

Major whistle-blowing channels	• Public channels: telephone hotlines, official websites, WeChat public accounts, e-mails, letters and office visits.
Receipt and storage of whistle-blown information	• Whistle-blowing clues are accepted and entered into the database by designated personnel, and are strictly managed according to the confidentiality level. Without the approval of the person in charge of the Anti-Corruption Supervision Department, other personnel are not allowed to view them. • Whistle-blown materials should be placed in the confidential cabinet, managed as confidential materials, and kept by designated personnel to ensure the integrity, security and confidentiality of the materials; completed whistle-blown cases should be archived.
Investigation and verification on whistle-blowing clues	• It is strictly forbidden to disclose the whistle-blown contents as well as the name, address, contact information and other information of the whistle-blower, and it is strictly prohibited to transfer the whistle-blown materials to the person or unit being reported. • When investigating and verifying the situation, it is strictly forbidden to present the original or photocopy of the whistle-blowing clues. • If the legitimate rights and interests of a whistle-blower are infringed, retaliated against or treated unfairly, he/she has the right to request the Anti-Corruption Supervision Department to take corresponding protective measures in accordance with the whistleblower system and relevant regulations of the Group.

Whistle-blowing Handling Process

By adopting active review and encouraging whistle-blowing, the Anti-Corruption Supervision Department accepted 19 clues in aggregate and properly handled all the clues during the Reporting Period. According to the relevant regulations of anti-corruption, the Anti-Corruption Supervision Department issues anti-corruption supervision proposals to relevant subsidiaries in respect of management problems discovered during the case investigation process, putting forward rectification opinions, and requiring relevant subsidiaries to implement rectification and give feedback, which prevents risks in a timely and effective manner to avoid major losses for the Group.

In 2022, the Group had a total of 5 employees subject to the punishment of termination of their labor contracts and 6 employees subject to disciplinary measures such as warnings as they violated relevant anti-corruption regulations, and 7 employees subject to criminal compulsory measures as they violated criminal laws. Through the investigation of the cases, more than RMB4.07 million of losses were recovered for the Group.

2. PRODUCT RESPONSIBILITY

Taking protecting the health of patients as its own responsibility while adhering to the quality policy of "Respect for Life, Focus on Quality, Commitment to Perfection, and Pursuit of Excellence", the Group focuses on the closed-loop of product management covering the entire life cycle, continuously promotes product research and development, and improves product quality, in order to provides patients and customers with quality and accessible products and services.

2.1 Drug Accessibility

2.1.1 R&D and Innovation

"Patient-centered, clinical demand-oriented and high-tech-driven" is the consistent research and development concept of the Group. We continue to steer by innovation and internationalization, increase R&D investment and the introduction of scientific researchers, and focus on core therapeutic areas such as tumors (solid tumors and hematological tumors), immunity, central nervous system, and chronic diseases (liver disease/metabolism/kidney disease) through diversified and multi-level models such as independent R&D, co-development, license-in projects and deep incubation. With a focus on strengthening core technology platforms such as small molecules, antibody/ADC, cell therapy, and RNA, we create an open and global innovative R&D system for continuous improvement, and enhance the value of the pipeline for promoting the R&D and commercialization of more FIC and BIC products.

The Group continues to promote the development and implementation of product R&D innovation and technology platforms, implements the internationalization strategy of innovative R&D, and strengthens the core driving force for the long-term development of the enterprise. Based on FOPEX (Fosun Pharma Operation Excellence), the FES (Fosun Entrepreneurship & Ecosystem System) R&D management system has been further upgraded to support the agile and efficient R&D of products through the improvement and innovation platforms.

R&D capability improvement	• Improve R&D innovation, team technical capabilities, decision-making and organizational efficiency through knowledge and data, performance incentives, process and organization optimization, and other assistive technologies
End-to-end value stream	• Identify key performance milestones in each stage including project selection, R&D project approval, transfer application, and marketing, establish an agile project management mechanism and strategy covering the entire process, and improve the efficiency of collaboration with external resources and departments
Lean laboratory	• Form the best processes and solutions according to the manpower, machinery, materials and methods as required by the experiments to Improve the efficiency of daily R&D operations
FES empowerment platform	• Integrate the best operations and processes, standardized tools and experts, continuously optimize and update the resource library, and monitor the transformation results

FES R&D Management System

In addition, we have further specified the division of responsibilities for R&D and innovation. At the beginning of 2022, the pharmaceutical manufacturing segment was upgraded and divided into the innovative medicines division, established medicines manufacturing & supply division and vaccines division to rationalize the division of business segments in the form of business divisions. At the same time, by setting up and upgrading the global R&D center, the Group has further reinforced the structure of R&D function, and sped up the product incubation process with a diversified R&D model.

During the Reporting Period, the Group further increased its investment in resources for R&D and innovation to give full support to enhance R&D and innovation capabilities, and at the same time lay a solid foundation for later transformation towards industrialization. During the Reporting Period, the investment in R&D of the Group was RMB5,885 million (including capitalized expenses), representing a year-on-year increase of 18.22%. In 2022, R&D expenses amounted to RMB4,302 million, representing a year-on-year increase of 12.12%. As of 31 December 2022, the number of pipeline innovative drugs, biosimilars, generic drugs and consistency evaluation projects of the Group exceeded 260, including 63 pipeline innovative drugs, 14 biosimilars under independent development, 118 generic drugs and 21 consistency evaluation projects.

Featured self-developed products
• Our self-developed product Han Li Kang® (rituximab injection) is the first domestic biosimilar approved for launch in China • Our self-developed product Han Qu You® (trastuzumab injection) is the first trastuzumab biosimilar approved for launch in China, and also the first domestic monoclonal antibody biosimilar approved by both China and Europe, which changed the domestic treatment landscape in the field of HER2 (Human Epidermal Growth Factor Receptor 2) positive breast cancer in China while improving the accessibility of monoclonal antibodies • Our licensed-in Su Ke Xin® (avatrombopag maleate tablets) is currently the first oral drug approved for the treatment of thrombocytopenia related to chronic liver disease in the world, filling the gap of treatment in relevant therapeutic area in China and introducing a world-leading new clinical treatment plan for patients with thrombocytopenia related to chronic liver disease in China

The compliance of product innovation and R&D has a significant impact on the business operations of enterprises. The Group continues to pay attention to ethical considerations in the R&D process, and regards R&D compliance as the primary principle of innovation. We strictly abide by relevant laws and regulations and ethical requirements, and have developed the "New Product R&D Management Regulations and Standard Operation Manual (SOP)" to ensure that all tests in drug research and development meet the requirements of relevant national standards. At the same time, clinical trials involving human beings are in compliance with the quality management standards for drug clinical trials (GCP Standards) and have passed the ethics committee review. Operations involving animal testing are conducted in accordance with the relevant regulations on the management of laboratory animals.

Protecting intellectual property rights is an important means to ensure that R&D achievements are not infringed and enthusiasm for innovation is not dampened. The Group has developed "Intellectual Property Strategy for Key Products" to safeguard its innovation and R&D achievements. We strictly abide by the "Corporate Intellectual Property Management Code", and proactively identify IP risks through technical and legal analysis at the start-up of R&D projects, and build intellectual property portfolios for key products to extend product life cycles. During the Reporting Period, a total of 249 patents had been applied for in the pharmaceutical manufacturing segment of the Group, including 16 U.S. patent applications, 17 PCT applications, with 48 licensed invention patents obtained.

2.1.2 Inclusive Healthcare

The Group's inclusive healthcare strategy is supervised by the Board of Directors and the ESG Committee. Under the leadership of the Board of Directors, the Group uses R&D and innovation to care for the rare disease population, continues to promote the construction of rare disease product lines, and further deploys the internationalization strategy, with commitments to provide better products and services to patients worldwide.

Paying attention to R&D in rare diseases

Due to the extremely low market demand, limited R&D profits and lack of clinical drug experience, rare disease drugs have problems such as low R&D enthusiasm and excessive treatment burden. As a responsible enterprise, the Group is committed to using industry-leading professional means to accelerate the R&D of drugs for rare diseases and clinically urgently needed drugs, so as to fill the gaps in the field of treatment of related diseases. During the Reporting Period, the Group had launched 2 rare disease symptomatic drugs, also called as the orphan drug (infantile spasm), and carried out about 10 R&D projects related to rare diseases and orphan drugs.

Fosun Pharma's drugs for rare diseases*	**Indications**	**Model**	**Marketing status**
Vigabatrin powder for oral solution (trade name: Wei Ge Ding)	Infantile spasms (IS), especially IS patients with tuberous sclerosis complex (TSC)	License-in[1]	Marketed
Pirfenidone	Idiopathic pulmonary fibrosis	License-in[2]	Not marketed
Treprostinil	Pulmonary arterial hypertension	License-in[3]	Not marketed
HLX208	Langerhans histiocytosis and Erdheim-Chester disease (ECD, non-Langerhans histiocytosis)	License-in[4]	Not marketed

During the Reporting Period, Han Si Zhuang (serplulimab injection), the first self-developed biopharmaceutical innovative drug of the Group, for the treatment of small cell lung cancer (SCLC) was granted Orphan Drug Designation by the U.S. FDA. Artesunate for injection, an innovative drug which we own its proprietary intellectual property rights, is recommended by the WHO as the first choice for the treatment of severe malaria, which has treated more than 56 million severe malaria patients worldwide by the end of 2022.

Introduced epilepsy drug Wei Ge Ding

A subsidiary, Wanbang Pharma, which had introduced Wei Ge Ding, the first vigabatrin drug officially launched in China, reached a strategic cooperation with the Chinese Anti-Epileptic Association to establish the Special Committee for Tuberous Sclerosis and Epilepsy Rare Diseases. At the same time, Wanbang Pharma has also launched a patient care and welfare program, focusing on disease diagnosis and treatment, patient assistance, drug insurance, family care and other aspects, to help more children with epilepsy. During the Reporting Period, Wanbang Pharma held a total of more than 50 public welfare lectures on knowledge introduction for patients, benefiting 1,300 children.

1 The licensed area is the territory of China (excluding Hong Kong, Macau and Taiwan regions).
2 The licensed area is the territory of China (excluding Hong Kong, Macau and Taiwan regions).
3 The licensed area is the territory of China (excluding Hong Kong, Macau and Taiwan regions).
4 The licensed area is Mainland China and Hong Kong, Macau and Taiwan regions.
* Take the First Batch of Medicine Catalogue published by the National Health Commission as the standard.

Promoting accessibility of products

The Group firmly believes that the value of medicine lies in benefiting more patients and bringing hope of recovery to more people. We are committed to continuously promoting the accessibility and affordability of medicines, so that the outcomes of innovation and R&D can benefit more people. At the beginning of 2023, a number of innovative drugs and new indications of the Group have been included in the 2022 National Medical Insurance Drug Catalogue, reaching more patients through various accessible channels.

As at the end of the Reporting Period, as the first CAR-T cell therapy product approved for domestic launch, Yi Kai Da® (ejilunsai injection)[5] has successfully benefited more than 300 patients, and has been included in the urban customized commercial health insurance of 70 provinces and municipalities and over 60 commercial insurances, while the number of treatment centers on record reached 130.

In August 2022, Azvudine tablets under exclusive commercialization by the Group were included in the Diagnosis and Treatment Guideline for COVID-19 (9th Edition) (《新型冠狀病毒肺炎診療方案(第九版)》). As at the date of this report, Azvudine tablets have been included in procurement platform of medical insurance system in 31 provinces, autonomous regions and municipalities across China, including Gansu, Henan, Hainan, Jilin, Heilongjiang and Guangdong. After being officially included in the National Medical Insurance Drug Catalogue, the price of Azvudine tablets as covered by medical insurance was reduced by about 35%. We have also entered into a strategic cooperation agreement with Sinopharm, a leading pharmaceutical distribution enterprise in China, to accelerate the nationwide channel network coverage of Azvudine tablets and continue to provide terminal accessibility.

In addition, Akynzeo® (netupitant and palonosetron hydrochloride capsules), the only imported original antiemetic drug successfully negotiated for the National Medical Insurance Drug Catalogue, and Otezla® (apremilast tablets), the first oral targeted small-molecule drug approved for the treatment of psoriasis in the world, have also been successfully included in the National Medical Insurance Drug Catalogue, helping more patients control their diseases and improve their quality of life.

In addition to the drugs newly included in the National Medical Insurance Drug Catalogue, several products of the Group that have been included in the National Medical Insurance Drug Catalogue have added new indications or renewed their inclusions. In particular, the new indication rheumatoid arthritis of Han Li Kang® (rituximab injection), the first biosimilar in China, was included in the National Medical Insurance Drug Catalogue, which has benefited more than 130,000 patients in China as at the end of the Reporting Period. Products such as Han Li Kang and Han Qu You have helped more than 500,000 patients fight against tumors. Su Ke Xin® (avatrombopag maleate tablets), the first small molecule innovative drug introduced by the Group and the world's first oral thrombopoietin receptor agonist (TPO-RA) approved by the U.S. FDA for CLD-related thrombocytopenia, renewed its inclusion in the National Medical Insurance Drug Catalogue.

In January 2023, Comirnaty BNT162b2 and Comirnaty Bivalent Vaccine were officially registered as drugs/products in Hong Kong, and approved as regular imported vaccines in Macau of the PRC, which achieve a full coverage of public and private markets. Non-local residents may received these vaccines at their own expense, expanding the vaccination options for people in need.

[5] Product of Fosun Kite, a joint venture.

Serving patients worldwide

The Group is committed to developing business in more developing countries to improve access to medicines in underdeveloped regions such as Africa and South America. As at the end of the Reporting Period, we have set up 5 regional distribution centers, with a team of about 800 frontline sales personnel. During the Reporting Period, the Group's distribution center in Kenya passed the on-site inspection of the International Red Cross (ICRC), and the distribution center in Cote d'Ivoire, West Africa commenced operation, which is currently the largest local distribution center in the French-speaking region of West Africa, facilitating more drugs entering into emerging markets.

We are also committed to supplying medicines to developing countries and making full use of our professional advantages to benefit patients around the world. As one of the world's largest companies covering the production, development and manufacturing of anti-malaria drugs, the Group has become a supplier of anti-malaria drugs to the Global Fund, UNICEF, the WHO and pharmaceutical procurement centers in different countries in Africa. As at the end of the Reporting Period, the Group supplied more than 280 million vials of its self-developed and-produced Artesun® (Artesunate for injection) to the international market, curing over 56 million patients with severe malaria worldwide. In particular, our "Seasonal Malaria Chemoprevention Project" has covered 175 million children from countries with high malaria incidence in Africa, effectively reducing the incidence of malaria among local children.

We also strive to improve access to medicines in developing countries through the use of non-exclusive licenses. In January and March 2022, our subsidiary Fosun Pharmaceutical Industrial was licensed to manufacture and supply the generic versions of Molnupiravir, a COVID-19 oral drug of Merck, and Nirmatrelvir, a COVID-19 oral drug of Pfizer, and a combination of Nirmatrelvir/Ritonavir by Medicines Patent Pool (MPP) for certain mid- and low-income countries in the world. The license allows the production of the active pharmaceutical ingredient and the finished drug.

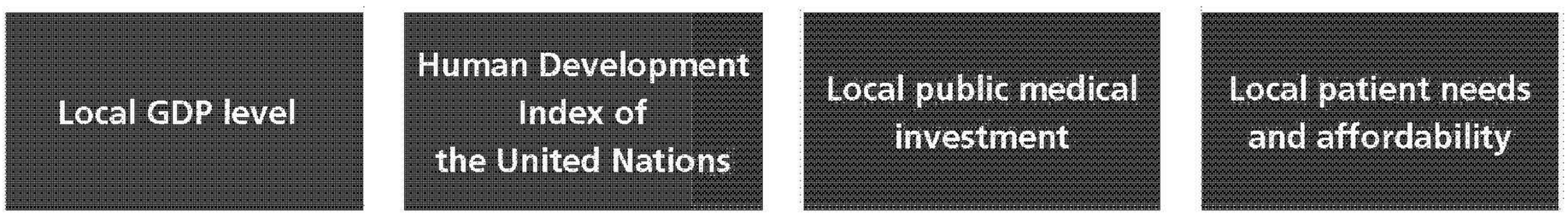
In February 2022, Shanghai Henlius, a subsidiary, granted Getz Pharma the exclusive commercialization rights to sell Han Da Yuan (adalimumab injection) in 11 emerging markets in Asia, Africa and Europe so as to promote the layout of innovative drugs in emerging markets and improve the availability of drugs for local residents. In May 2022, Shanghai Henlius granted a license to Eurofarma, a leading local pharmaceutical company in Brazil, allowing it to, among others, commercialize three products, namely Han Li Kang® (rituximab injection), Han Qu You® (trastuzumab injection) and Han Bei Tai® (bevacizumab injection), in 16 Latin American countries, and in June 2022, granted Organon a license to exclusively commercialize pertuzumab biosimilar HLX11 (recombinant anti-HER2 domain II humanized monoclonal antibody injection) and Denosumab biosimilar HLX14 (recombinant anti-RANKL human monoclonal antibody injection) worldwide except for China.

Exhibition on fighting against malaria

During the Reporting Period, the Group participated in the "International Forum on the 50th Anniversary of the Discovery of Artemisinin and on Building a Global Community of Health for All" jointly organized by the China International Development Cooperation Agency, the National Health Commission and the National Administration of Traditional Chinese Medicine with its self-developed artemisinin-type innovative drug series products and its anti-malarial achievements in Africa to help the R&D of artemisinin and promote global cooperation in fighting against malaria.

Fair pricing of drugs

The Group pays attention to the legal compliance and fairness of drug pricing at home and abroad. In 2022, we have formulated and published *the Fair Pricing Policy* to further promote innovation in the pharmaceutical industry and benefit patients and customers. We promise to follow the definition of "fair pricing" by the WHO, and take value as the pricing standard. For pricing considerations, we take into account factors such as local economic development level, patient demand and affordability, and adopt different product structures and pricing strategies for different domestic and overseas markets to ensure that all products of the Group are priced to reflect value to patients, the healthcare system and the local community as a whole.



Pricing Considerations

The Group adheres to the principle of matching quality and price, pays attention to the transparency of drug pricing, facilitates the rationality and fairness of drug pricing, and promotes pharmaceutical products to benefit more patients. At present, the Group regularly discloses the winning bid prices of centralized procurement of drugs in the annual reports. In the future, relevant information about drug prices will be disclosed in a timely manner according to the specific development of the Group to help the public better understand our pricing practices.

Empowering local medical construction

With the original aspiration of being medical-oriented, we take it as our responsibility to provide better medical services and more inclusive patient health, taking our industry advantages to drive the sinking of medical resources and radiate more patients in need.

Smart medical cloud platform

Subsidiaries Fosun Health and Winning Health Technology Group Co., Ltd. have joined hands to create a smart medical cloud platform, breaking the traditional hospital operation model, empowering more hospitals of the same specialty under Fosun Health, and promoting the construction of digital and intelligent departments and patient management. The platform helps patients simplify the medical treatment process and procedures, solves the problem of cross-hospital medical treatment in different places, connects the pre-hospital, in-hospital and post-hospital diagnosis and treatment processes, and realizes the closed loop of smart medical care. While providing high-quality and convenient services, smart medical care can benefit more patients.



Online empowerment training for medical staff

During the Reporting Period, the Group actively builds the "Cloud Guardian Platform", relied on the platform to launch the "Pocket Book of Rural Doctors' Diagnosis and Treatment" jointly compiled by more than 30 experts, and held the "Famous Doctors Lecture" public class to teach medical treatment knowledge to grassroots medical staff, targeted to solve the acute problem of high demand for primary medical needs. As at the end of the Reporting Period, we have published a total of 223 medical knowledge introduction articles and 134 knowledge introduction videos, conducted 35 live broadcasts of famous doctors, and registered more than 10,000 rural doctors on the platform.

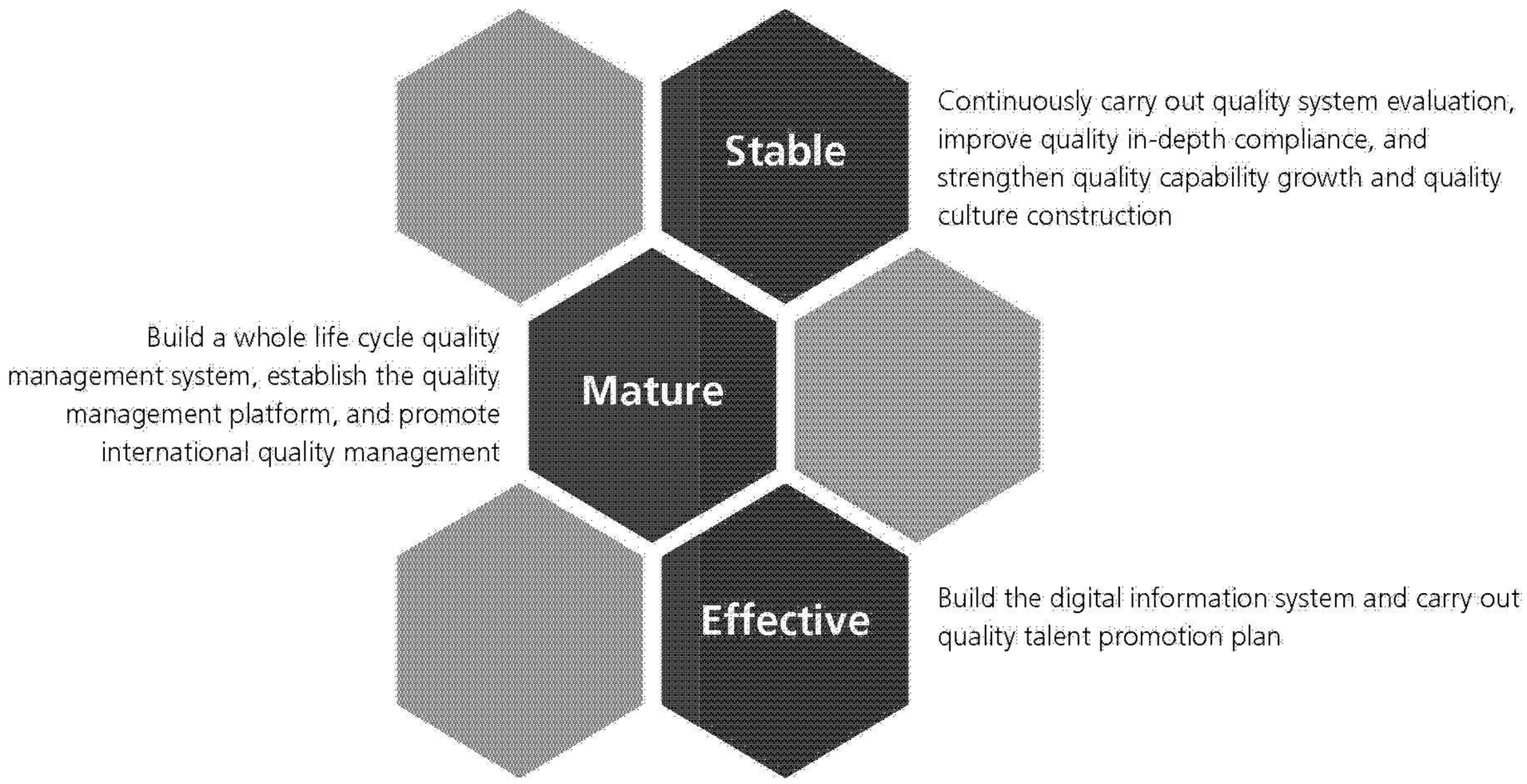


Promoting rational use of medicines

Bacterial drug resistance is becoming an international public health crisis. The Group deeply understands that irrational abuse of antibiotics will accelerate the process of bacterial resistance, leading to the emergence and widespread transmission of drug-resistant bacteria, severely reducing the therapeutic effect of original drugs, and posing a great threat to human health. In order to curb the serious harm of antibiotic resistance to medical progress, we pay close attention to and call for the scientific and prudent use of antibiotics, and strictly abide by the management measures such as Administrative Measures for the Clinical Application of Antimicrobial Drugs and Notice on Further Strengthening the Management of Antimicrobial Drugs to Contain Drug Resistance in order to continue to strengthen the management of prescription drugs, and actively promote research and development in the field of antibiotics to deal with drug resistance.

2.2 Quality Management

Quality is the lifeline of an enterprise. It is also the soul and core of the positive development of an enterprise. The Group adheres to the policies of "respect life, prioritize the quality, endeavor to do better and pursue excellence", and undertakes strict control of product quality to ensure drug safety. We have developed a five-year (2021–2025) medium-term quality strategy as the direction for our quality efforts, with "stable", "mature" and "efficient" being the key words for the future quality management path.

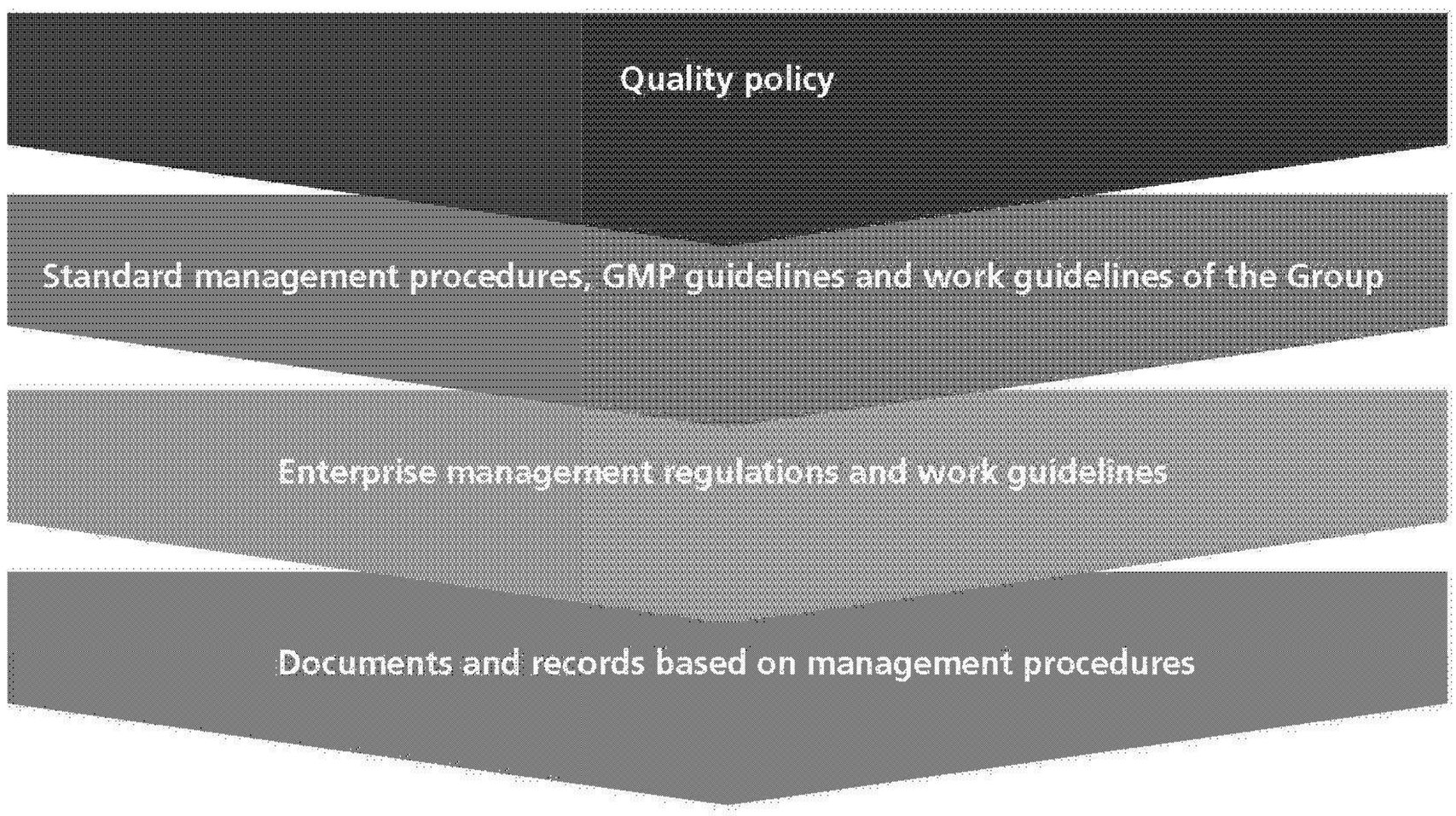


Five-Year Quality Strategy

2.2.1 Quality Management System

As a global pharmaceutical and health industry group, we strictly abide by the relevant requirements of *2010 GMP*, WHO and *ICHQ9* (International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use Quality Risk Management Guide), and have formulated the comprehensive a four-level quality framework system, clarifying the quality management process and standards of the Group from top to bottom.

In order to better promote daily quality management, we split the quality management responsibilities to each level to further ensure the effectiveness of the quality management system. In addition, we have also built a quality management system for the whole product life cycle, with strict quality control carried out for each step of the product from raw material procurement, production process to finished product storage. The Group continues to promote the establishment and improvement of the quality management system of each manufacturing subsidiary, and has received multiple certifications.



Four-level Quality Management System Structure System

In order to ensure the effectiveness of the quality management measures of the Group, all of our manufacturing subsidiaries have established quality management systems in strict accordance with GMP or ISO 9001 requirements, with a coverage rate of 100%, and have received multiple certifications. As at the end of the Reporting Period, all pharmaceutical subsidiaries of the Group met the requirements of GMP 2010 and all medical device subsidiaries complied with the new version of the "Quality Management Practice for Manufacturing of Medical Devices".

Quality certification and inspection	Quality certification compliance of pharmaceutical subsidiaries as at the end of 2022
Compliance with China's GMP	All pharmaceutical subsidiaries with sites located in China met the requirements of GMP 2010, with a quality management system coverage rate of 100%. 37 sterile preparation production lines, 32 oral preparation production lines and 89 APIs have passed China's GMP certification; The GMP certification rate of the pharmaceutical production line has reached 100%.
Compliance with foreign GMP	1 sterile preparation production line, 2 oral solid preparation production lines and 13 APIs have passed the US FDA GMP compliance inspection; 2 sterile preparation production lines and 4 APIs have passed the EU GMP compliance inspection; 6 APIs have passed the Japan PMDA (Pharmaceuticals and Medical Devices Agency) GMP compliance inspection; 1 oral solid preparation production line, 5 APIs and 3 injection production lines have passed the WHO GMP compliance inspection; The GMP certification rate of pharmaceutical production lines sold overseas has reached 100%.
Official quality inspection status	The pharmaceutical subsidiaries received a total of 68 official inspections and official sample tests on more than 687 batches, all of which were passed smoothly.

Quality certification and inspection	Quality certification compliance of medical device subsidiaries as at the end of 2022
Compliance with management regulations	All medical device subsidiaries with sites located in China complied with the new version of the "Quality Management Practice for Manufacturing of Medical Devices".
ISO quality management system certification	7 medical device subsidiaries have passed ISO 13485:2016 certification; 2 medical device subsidiaries have passed ISO 9001:2015 certification; About 100% of medical device subsidiaries received ISO certification.
Other international certification	Multiple products of 3 medical device subsidiaries have passed CE (Conformite Europeenne) product certification.
Official inspection	9 domestic medical device subsidiaries received a total of 33 official inspections, all of which were passed smoothly.

Pharmaceutical and Medical Device Compliance and Certification

2.2.2 Quality Testing Capability

The Group has established a comprehensive quality inspection and monitoring mechanism to guarantee the quality of our products through laboratory monitoring and measurement throughout the production process. All pharmaceutical manufacturing subsidiaries have internal quality control laboratories. Some subsidiaries have obtained CNAS (China National Accreditation Service for Conformity Assessment) accreditation for their quality control laboratories. We require our subsidiaries to conduct quality testing on products, and the coverage rate of products subject to internal laboratory testing reaches 100%. For exceeded test results, we have developed the "Technical Guide for Laboratory Test Results Exceeding Standards" to clarify the investigation process, and process batches that are confirmed to exceed standards by investigations.



- We strictly follow the legal and regulatory requirements to calibrate equipment on a regular basis.
- We perform testing and inspection activities in accordance with raw material quality control procedures. According to the technical standards and production needs of the required materials, we strictly control the qualifications of suppliers and carry out sample inspections or on-site inspections.
- According to the requirements of production process, internal control of finished product quality and registration standards, we formulate quality inspection standards for intermediate products in a targeted manner to ensure that the planning and execution of the product production process conforms to the production plan regulations and reduce potential quality problems.
- All our products and ingredients are handled and stored in accordance with appropriate storage conditions and approved written storage procedures.
- Our designated professionals inspect the quality of products according to the Group's internal control quality standards for finished products. Our products shall be released or put into use by the quality authorized person after the inspection certificate is issued.

Product Life Cycle Quality Inspection

The Group attaches great importance to the information construction of quality management, and continues to build and implement various digital systems such as LIMS (Laboratory Information Management System), DMS (Database Management System) and QMS (Quality Management System) to actively explore the application of automated robots and artificial intelligence technology in various scenarios of R&D and production, with an aim to improve the efficiency of drug quality inspection and avoid human errors in the production inspection process.

2.2.3 Quality Audit

Quality audit is a powerful guarantee for improving the quality management system and optimizing quality management methods. As a well-known international pharmaceutical enterprise, the Group regularly conducts third-party quality audits every year in accordance with high-standard FDA requirements, the consideration dimensions of which cover quality, production, documentation, materials, laboratory, facilities and equipment to comprehensively evaluate the effectiveness of the quality management system, timely identify and make up for shortcomings in quality management, and ultimately ensure product quality. During the Reporting Period, the Group conducted a total of two evaluations on the quality system of its pharmaceutical subsidiaries.

2.2.4 Quality Culture

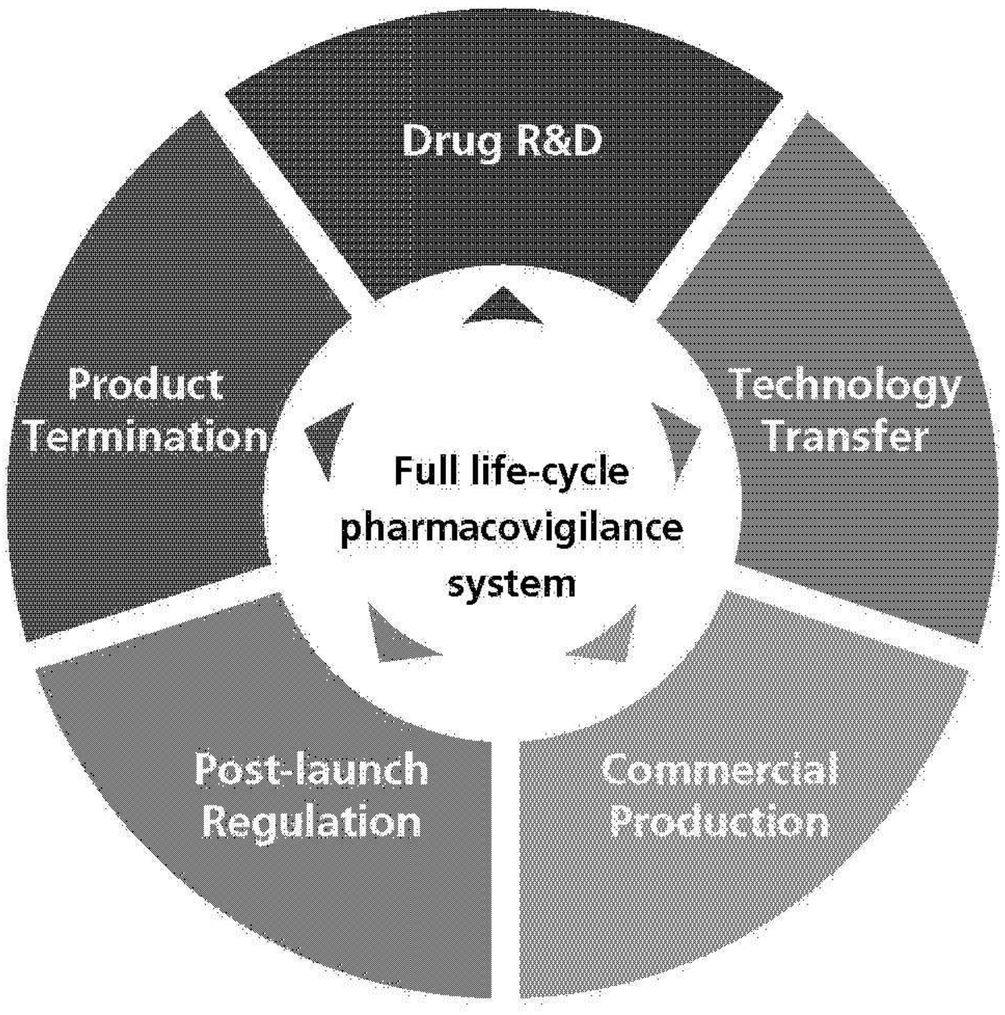
In addition to improving quality control measures, the Group also attaches great importance to the continuous improvement in quality awareness and conducts quality training courses to facilitate the dissemination of quality culture within the company. We provide regular product quality training to all our employees through a combination of internal training and external training. For new employees, we incorporate quality issues into new employee training at the beginning of their employment; for veteran employees, annual quality training and promotion will be conducted every year. For employees in production and quality control related positions, we will organize more comprehensive training on quality topics to further standardize employees' production operations, deepen their quality awareness and cultivate correct quality concepts. During the Reporting Period, the employees of pharmaceutical subsidiaries received quality training of more than 80 hours per capita on average, representing a year-on-year increase of nearly 11% as compared with 2021, and the employees of medical diagnosis and medical device subsidiaries received quality training of more than 24 hours per capita on average. Quality-related training covered 100% of all quality-related business employees under the quality system of the Group.

The 4th Quality Management Month activities
During the Reporting Period, the Group launched the 4th Quality Management Month activities for all its pharmaceutical and medical device subsidiaries centering on the theme of "Strive for Excellence, Create Excellent Quality", including publishing related posters and slogans on quality culture.

2.3 Pharmacovigilance and Recall

2.3.1Pharmacovigilance

The Group actively responses to and strictly abides by the Drug Administration Law of the People's Republic of China, the Adverse Drug Reaction Reporting and Monitoring Management System, the Medical Device Adverse Event Monitoring and Re-evaluation Management Measures, the Specifications for Pharmacovigilance Quality Management, and other laws and regulations. During the Reporting Period, the Group has formulated and enhanced the Management of Safety Reference Information in Investigator Manuals and Product Specifications, the Management of Pharmacovigilance Annual Reports of the Holders, the Pharmacovigilance Business Continuity Plan, and other internal systems, and has established a pharmacovigilance system covering the entire product life cycle and built a comprehensive pharmacovigilance function structure, to continuously upgrade and optimize the operational efficiency and responsiveness of the pharmacovigilance system.



The Group classifies the drugs into categories and assigns monitoring priorities according to the risk or importance level of the drug category. For the focus drugs categories, each subsidiary needs to regularly summarize its adverse data information, analyze and evaluate abnormal findings, as well as regularly submit written reports on the relevant situation to the headquarters.

In order to further reduce the information gap between subsidiaries and the headquarters, the Group has established and smoothed the regular reporting process for pharmacovigilance. We strictly implement "zero reporting" management for adverse reactions discovered by various pharmaceutical subsidiaries and adverse events in the medical equipment industry. Each pharmaceutical affiliate is still required to report adverse reactions or adverse events every month even if no adverse events occur during the month. For newly discovered or serious adverse reactions, each subsidiary must report to the group headquarters within a time limit to ensure that all adverse drug reaction information is collected and processed in a timely manner.

In addition, the Group also have an advanced global pharmacovigilance system, ArisG, which standardizes the pharmacovigilance process and improve all aspects of data manipulation through several advanced data management functions. The ArisG system achieved data connection with NMPA, U.S. FDA and European Medicines Agency (EMA) and electronic submission of pharmacovigilance (PV) data. The introduction of the ArisG system has greatly improved the efficiency of our data management and the level of data management, giving important support in detecting and analyzing adverse data information.

The pharmaceutical manufacturing subsidiaries of the Group reported 100% of the information on adverse reactions to the national adverse reaction direct reporting system in strict accordance with national requirements and internal regulations, and the reporting pass rate reached 100%. During the Reporting Period, there were zero mass adverse reactions and fatalities caused by drug quality defects, and none of the Group's medical device subsidiaries reported fatalities or mass adverse events.

2.3.2 Product Recall

In order to strengthen the emergency management capability for product emergencies and further protect the rights and interests of patients and drug safety, the Group closely monitors the drugs that have been marketed and established a complete product recall process. The Group strictly abides by the Administrative Measures for Drugs Recall, the Law of the People's Republic of China on Drug Administration, the Law of the People's Republic of China on Vaccine Administration, the Regulations on the Implementation of the Law of the People's Republic of China on Drug Administration, the Special Provisions of the State Council on Strengthening the Supervision and Administration of Food and Other Products Safety and other relevant laws and regulations, and has formulated the Product Recall Management Procedures to regulate the workflow of the various aspects of product recall. Besides, the Group has established a comprehensive drug traceability system to ensure the traceability of drugs and requires that in the event of defective products, they should be recalled and investigated and evaluated in a timely manner. During the Reporting Period, the Group did not incur any product recall incident.

Meanwhile, the Group requires each of its subsidiaries to conduct drug recall drills regularly, in order to validate the effectiveness of the recall system and identify areas for improvement in time to fully improve the recall system, enabling the relevant personnel to be familiar with the key procedures of the whole recall process, and ensure a rapid and orderly recall of all drugs in an emergency. During the Reporting Period, the Group's domestic pharmaceutical subsidiaries conducted nine recall drills in total.

2.4 Customer Responsibility

2.4.1 Responsible Marketing

The Group conducts relevant marketing business activities in a lawful and compliant manner, and strictly abides by the applicable laws, regulations and industry guidelines in its operating locations, including but not limited to the Federal Trade Commission Act, the Honest Advertising Act, the Data Protection Act 2018, the EU General Data Protection Regulation, the UK General Data Protection Regulation, the Advertising Law of the People's Republic of China, the Measures for the Administration of Medical Advertisements, the Measures for the Examination of Pharmaceutical Products Advertisements, and the Notice on Regulating the Use of Drug Names in Drug Advertisements. During the Reporting Period, the Group has formulated and announced *the Responsible Marketing Policy* to ensure the accuracy of the information delivered during the marketing process, and we strictly prohibit the exaggeration, deception and falsehood in marketing, advertising and sales activities.

The Group has a comprehensive domestic and international marketing system and a professional international marketing team to provide sufficient support to ensure the compliance of its marketing activities. For marketing promotion plans, the Group has set up a strict review and monitoring process, covering several functional departments to ensure the compliance of marketing activities, marketing methods, marketing content, marketing materials, etc. In addition, we continue to strengthen the internal audit of responsible marketing, and carry out audits on the implementation of responsible marketing policies, sales processes and sales contract signing of all subsidiaries to ensure the compliance of marketing activities.

In addition, the Group regularly provides responsible marketing special training to all employees in marketing-related positions, covering laws and regulations, internal rules and regulations, and product knowledge. The training adopts a combination of online and offline methods to help marketing personnel understand the marketing-related regulations of the Group and ensure that they promote our products reasonably and sell our products and services in a legally compliant manner.

During the Reporting Period, none of the subsidiaries of the Group had any violations of regulations and/or voluntary codes in relation to product and service information and labeling, and there were no incidents of non-compliance with regulations and/or voluntary codes in relation to marketing and dissemination (including advertising, promotion and sponsorship).

2.4.2 Customer Communication

The Group has established an efficient and scientific communication and feedback mechanism, and actively communicates with patients and customers to keep abreast of market demands and improve service quality while providing them with excellent products and services. The Group has set up a variety of channels for feedback and problem solving, and has created a professional product or service complaint handling system including a 24-hour complaint hotline to ensure efficient, accurate and caring solutions to questions from customers. During the Reporting Period, the Group received a total of 99 complaints related to quality from patients and customers, all of which were responded to, and the complaint closure rate had been maintained at 100% for consecutive years.

Efficient reply

If patients and customers have any questions, they can contact us at our 24-hour complaint hotline to submit complaints or suggestions

Professional support

We have a professional complaint handling team responsible for accepting, verifying and replying all kinds of complaint information to ensure that the questions from patients and customers can be properly handled

Customer Communication Mechanism

2.4.3 Information and Privacy Protection

Information Security

The Group attaches great importance to the protection of information technology assets and data, and has developed the Security System Construction Plan in strict accordance with the Cybersecurity Law of the People's Republic of China, the Personal Information Protection Law of the People's Republic of China and other laws and regulations of its operating locations, covering the Company and all subsidiaries.

Under the supervision of the Board of Directors and the management, the Group undertook comprehensive construction of information security system from three perspectives: security management system, security technology system, and security operation system to protect the internal data from intrusion. Leveraging the newly deployed loophole scanning system, we conducted regular loophole scanning and rectification for infrastructure equipment and application systems, and entrusted third parties to monitor the Group's facilities and systems in real time to ensure effective protection of information security. At the same time, we regularly carried out internal and external audits of information security to ensure the effective operation of internal IT systems and related management systems. During the Reporting Period, the Group was rated as a second-level enterprise in the network security classification inspection of industrial Internet enterprises, and obtained ISO 27001 certification. The OA system at the headquarters of the Group has obtained Level 3 certification for information security protection, and its official website system has obtained Level 2 certification for information security protection, and the important information systems of certain subsidiaries have also passed the evaluation and filing of level protection. During the Reporting Period, no major information security incidents occurred in the Group.

In order to further strengthen the awareness of information security within the Group, the Group conducts information security training for all employees every year based on the Security System Construction Plan to ensure that they understand and abide by relevant systems. The training content includes but not limited to information protection, phishing emails, web browsing and mobile security, etc.

Privacy Protection

Patient privacy protection is the cornerstone of trust between pharmaceutical companies and all parties. Attaching great importance to the protection of patient privacy, the Group strictly abides by the Cybersecurity Law of the People's Republic of China, the Data Security Law of the People's Republic of China, the Personal Information Protection Law of the People's Republic of China, the Regulation on Protecting the Security of Critical Information Infrastructure, and other laws and regulations, and issued the Data Security Management Regulations to establish a privacy data management system. In our affiliated medical institutions, we desensitize the display of patient information in public places and ensure there is only one patient in each consultation in outpatient consultation rooms. We upgrade the IT system on the hospital side and require the setting of automatic system exit and automatic computer lock screen; in addition, we have set up a data security system at the system level to further protect patient privacy data.

In order to ensure that we can respond in an efficient and timely manner in case of any information security and privacy protection incident, the Group has formulated a variety of risk point identification, response and handling plans for different types of security incidents to improve our response to security incidents.

During the Reporting Period, the Group did not receive any complaints regarding the leakage of user privacy.

3. ENVIRONMENTAL PROTECTION

3.1 Coping with Climate Change

Climate change is a prominent global challenge at present, and it is imminent to achieve carbon neutrality. This is not only related to the natural ecosystem, but also an important assurance for the sustainable development of human economy and society. Countries and companies around the world need to work together to facilitate the transition to a low-carbon economy and achieve the goal of keeping a global temperature rise this century well below 2°C in the Paris Agreement. On 6 November 2022, the 27th session of the Conference of the Parties (COP 27) to the United Nations Framework Convention on Climate Change was held in Sharm El Sheikh, Egypt, with the aim of establishing and operating a climate change loss and damage fund to compensate the countries which are most vulnerable to but least responsible for climate change for better global climate resilience.

As a responsible international pharmaceutical and healthcare industry group, the Group actively responds to the climate change initiative of the Paris Agreement and China's strategic goal of "carbon peaking and carbon neutrality", identifies risks and opportunities related to climate change, and discloses relevant information on management of risks relating to climate change with reference to the recommendations in TCFD (The Task Force on Climate-Related Financial Disclosures).

3.1.1 Governance

The Board of Directors and the ESG Committee of the Group are responsible for and regularly reviewing the implementation of climate change-related matters, including but not limited to carbon emissions, energy consumption and other targets, and their achievement. Under the leadership of the Board of Directors, the ESG Committee supervises ESG work, conduct ESG communication meetings to discuss issues related to climate change. The ESG workgroup is responsible for the identification of climate change risks, and carries out targeted measures to mitigate, adapt to and combat climate change.

3.1.2 Strategies

The Group has formulated a comprehensive risk management strategy against climate change, covering all aspects of risk identification, evaluation and management. In order to comprehensively understand the impact of policy transition, market changes, intensified extreme weather and other aspects on the operations of the Group, and to respond more flexibly to various potential conditions of climate change, we selected two high-contrast climate scenarios, i.e. RCP 8.5 (Representative Concentration Pathway 8.5) and APS (Announced Pledges Scenario), for risk identification.

Climate scenario	Overview
RCP 8.5	The baseline scenario, assuming no intervention from climate change policies, is characterized by increasing greenhouse gas emissions and concentrations, with a temperature rise of 5°C by 2100.
APS	Assuming that all climate commitments made by governments around the world, including Nationally Determined Contributions (NDCs) and long-term net-zero targets, will all be met on time.

Based on the analysis of climate change risk scenarios, we have identified a list of major climate change risks related to the Group based on factors such as industry characteristics, policy orientation and geographical characteristics of the operating locations, and historical records of extreme weather, and integrated these factors with the overall risk management system of the Group, in order to promote the implementation of climate change risk management throughout the entire value chain.

Major climate change risks	Relevance
Increased pricing of greenhouse gas emissions	In order to accomplish the temperature control goal of the Paris Agreement, governments at home and abroad have been gradually improving the control of the carbon emissions trading management system and total carbon emissions. The cost of greenhouse gas emissions is expected to increase, either directly (carbon taxation) or indirectly (carbon offsets, higher fuel prices, electricity tariffs, etc.). Once the industry is further included in the scope of the national carbon emission trading industry, the Group must bear the cost of compliance of excess emissions according to the mandatory verification of carbon trading, which will lead to the continuous increase of the operating costs of the Group.
Costs to transition to lower emissions technology	According to the "dual carbon[6]" policy proposed by the government and the expectations of investors, customers and other stakeholders, the Group needs to further promote low-carbon transformation, invest in the research and development of low-carbon technologies, improve energy structure, and optimize energy-consuming equipment, which will result in an increased operating costs for the Group.

6. Refers to "carbon peaking" and "carbon neutrality".

Major climate change risks	Relevance
Rising mean temperatures	The pharmaceutical production workshop puts forward higher requirements on the temperature. In view of climate warming, the Group expects to increase energy consumption to maintain normal production, and the operating costs will further increase. At the same time, rising temperatures have led to frequent occurrences of hot weather, exacerbating health risks for employees.
Increased severity of extreme weather events	Due to global warming, the instability of the climate system will increase, and the frequency and intensity of extreme weather will increase, which will affect the stability of the Group's operations. At the same time, due to the increase in expenses for dealing with extreme weather, operating costs will further increase.

3.1.3 Risk Management

In order to actively respond to the identified risks of climate change and effectively prevent the adverse effects and risks of climate change, the Group has formulated strategies to adapt to and mitigate climate change based on material issues.

Adaptation

The Group is committed to improving the monitoring and early warning of climate change at the its place of operation, identifying the vulnerability of key infrastructure to climate change, and improving its adaptability and resilience to climate change.

Continuous monitoring of meteorological information

- **We improved the communication channels with relevant departments to ensure that each operating site understands local meteorological information in a timely manner and brace up for extreme weather in advance**

Regular inspection

- **We regularly inspected the drainage system, electrical instruments and other facilities of the operation site, and carried out troubleshooting and reinforcement for outdoor facilities**

Development of emergency plans in response to climate changes

- **We set up a climate change emergency response team to assist each operating site to implement emergency plans in a timely and orderly manner under extreme weather conditions to minimize the damage of extreme weather to the Group**

Mitigation

In order to mitigate the impact of operations on the environment, the Group has implemented efficient and effective energy management measures to continuously optimize the energy use structure while reducing energy consumption. We have issued the Notice on Energy Conservation and Emission Reduction Work of Fosun Pharma Group Subsidiaries to define emission reduction targets, and incorporate energy management and control results into the performance appraisal of enterprise managers at all levels. Striving to promote the professional construction of energy management system, we continue to promote energy management system certification, improve energy-intelligent monitoring coverage, and continuously raise our energy management level. As at the end of the Reporting Period, five major subsidiaries[7] under the Group had passed the certification of ISO 50001 energy management system.

3.1.4 Metrics and Targets

The Group has set up strategic goals for greenhouse gas emissions and energy consumption from 2021 to 2025, providing guidance for energy saving and emission reduction tasks. The Group actively carried out major measures such as technological upgrading and innovation, energy-saving optimization of hardware facilities, exploration and promotion of renewable energy applications, etc., implemented energy-saving and emission-reduction tasks, and comprehensively improved the efficiency of energy use. During the Reporting Period, the Group invested RMB3.80 million to promote energy-saving technological transformation projects, saving electricity of 8.86 million kWh, natural gas of 968 thousand m^3, and purchased steam of 4,700 tonnes.

2021-2025 greenhouse gas emission targets:

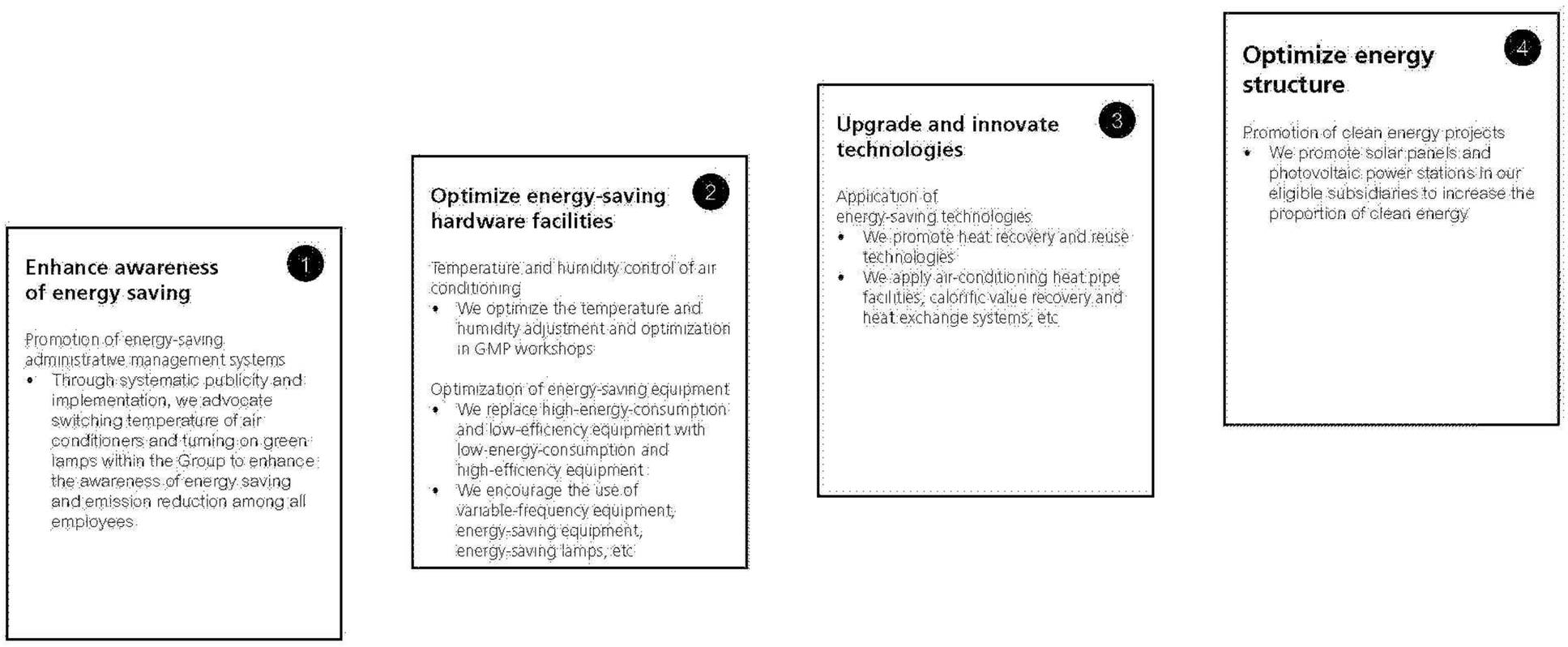
Carbon emissions per unit income: In 2025, it will decrease by 15% compared with 2020, i.e. in 2025, it will reach 0.23 tonne/RMB10,000 revenue

Carbon emission reduction of energy-saving projects: the cumulative carbon reduction will reach 30,000 tonnes, and the annual carbon reduction is planned to be 6,000 tonnes

2021-2025 energy consumption target:

Comprehensive energy consumption per unit income: In 2025, it will decrease by 10% compared with 2020, i.e. it will reach 2.29GJ/RMB10,000 revenue in 2025

[7] They are Wanbang Pharma, Zhaohui Pharma, Suzhou Erye, Red Flag Pharma and Dengrui Feiye, respectively.



Energy saving and emission reduction pathway

The Group is committed to sorting out and analyzing the applicable conditions of green power consumption channels, project economic factors, market maturity and other aspects in each operating location, exploring the feasibility of applying renewable energy, and further promote its application in various subsidiaries and operating locations.

We encourage subsidiaries eligible for installing distributed renewable energy power generation systems to choose to realize green power consumption in the form of self-investment or enjoying preferential tariffs after construction through third-party investment according to their own capital and personnel conditions. As at the end of the Reporting Period, having built internal photovoltaic power generation systems, Wanbang Pharma, Zhaohui Pharma, Suqian Zhongwu and Xinxing Rehabilitation generated a total of 1,374,733 kWh of electricity in 2022.

Company name	Energy saving and emission reduction measures: Application of new technologies and equipment	Process and layout optimization	Energy management system	Outcomes[8]
Wanbang Pharma	Installation of U-shaped dehumidification heat pipes for air conditioners, and installation of internal photovoltaic power generation systems	Comprehensive energy-saving optimization of solid dosage forms	/	Saved purchased electricity of 987,000 kWh and purchased steam of 400 tonnes, and reduced carbon emissions of 825 tonnes
Zhaohui Pharma	Installation of energy-saving heat pipes, and installation of internal photovoltaic power generation systems	/	/	Saved purchased electricity of 596,000 kWh, purchased steam of 1,000 tonnes, and reduced carbon emissions of 746 tonnes
Suqian Zhongwu	Installation of internal photovoltaic power generation systems	/	/	Saved purchased electricity of 324,000 kWh, and reduced carbon emissions of 228 tonnes
Xinxing Rehabilitation	Installation of internal photovoltaic power generation systems	/	/	Saved purchased electricity of 138,000 kWh, and reduced carbon emissions of 97 tonnes

Energy saving and emission reduction projects of certain subsidiaries of Fosun Pharma

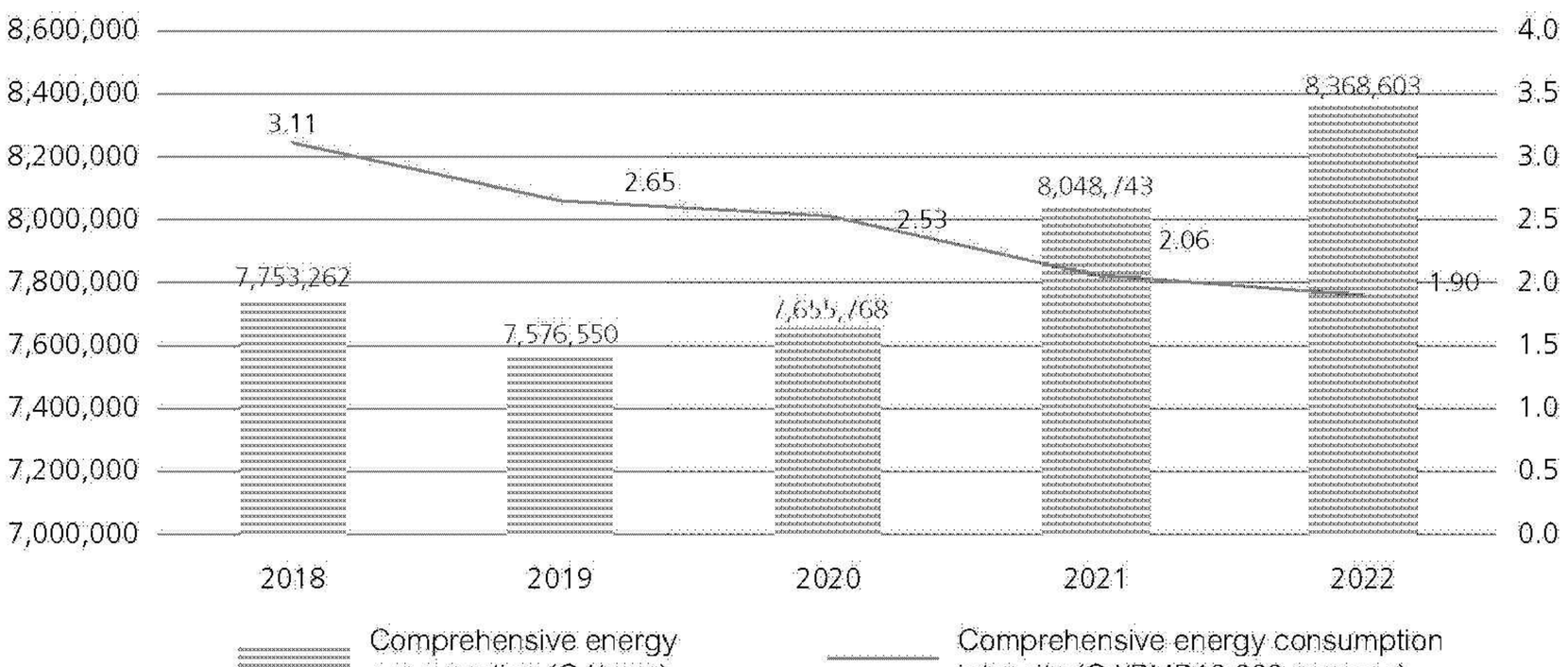
For subsidiaries that are not eligible for installing distributed renewable energy power generation systems or lack sufficient resources to meet the demand for green power consumption, we recommend that they purchase green power according to the types of transaction services provided by the local power trading market. We remind subsidiaries to maintain policy sensitivity and establish cooperation with competent integrated energy service providers and electricity sales enterprises, participate in market-oriented transaction for distributed power generation in a timely manner, and purchase green power. During the Reporting Period, the Group had a total of 3 subsidiaries' production bases which purchased green power of over 16.92 million kWh in total, including purchasing new energy totaling 15,705,735 kWh and purchasing hydropower of 1,217,883 kWh, accounting for about 2.20% and 0.17% of the total electricity respectively.

During the Reporting Period, the Group reduced carbon emissions by a total of 9,433 tonnes, and the carbon emission intensity was 0.22 tonne/RMB10,000 revenue, representing a decrease of 4.35% as compared to 2021. During the Reporting Period, the comprehensive energy consumption intensity of the Group was 1.90 GJ/RMB10,000 revenue, representing a decrease of 7.77% as compared to 2021.

[8] The baseline for energy saving and emission reduction is the level of energy consumption and carbon emissions before energy saving and emission reduction measures are taken.

Year	Internal energy consumption[9] (GJ/year)	External energy consumption[10] (GJ/year)	Comprehensive energy consumption (GJ/year)	Comprehensive energy consumption intensity (GJ/RMB10,000 revenue)
2020	7,640,595	15,173	7,655,768	2.53
2021	8,036,008	12,735	8,048,743	2.06
2022	8,357,349	11,254	8,368,603	1.90

Comprehensive energy consumption and intensity from 2018 to 2022



Year	Total carbon emissions[11] (tonnes)	The proportion of carbon emission sources			Carbon emission intensity (tonne/ RMB10,000 revenue)
		Direct greenhouse gas emissions[12] (tonnes)	Energy indirect greenhouse gas emissions[13] (tonnes)	Other indirect greenhouse gas emissions[14] (tonnes)	
2020	827,858	224,552	602,236	1,070	0.27
2021	900,112	307,856	591,357	899	0.23
2022	949,469	289,044	659,631	794	0.22

9 The energy consumption is disclosed by direct energy consumption and indirect energy consumption in the 2020–2021 ESG report. The 2022 ESG report discloses internal energy consumption and external energy consumption based on the requirements of the GRI standard. The energy consumption in 2020–2021 has been retrospectively adjusted by type. The adjustment basis: internal energy consumption is the comprehensive energy consumption in the 2020–2021 ESG report minus the energy consumption corresponding to gasoline. The calculation basis of the energy consumption in 2021–2022 is General Principles for the Calculation of Total Energy Consumption (GB/T 2589-2020), which is inconsistent with the basis of previous data, General Principles for the Calculation of Total Energy Consumption (GB/T 2589-2008), which was due to the change in standards.

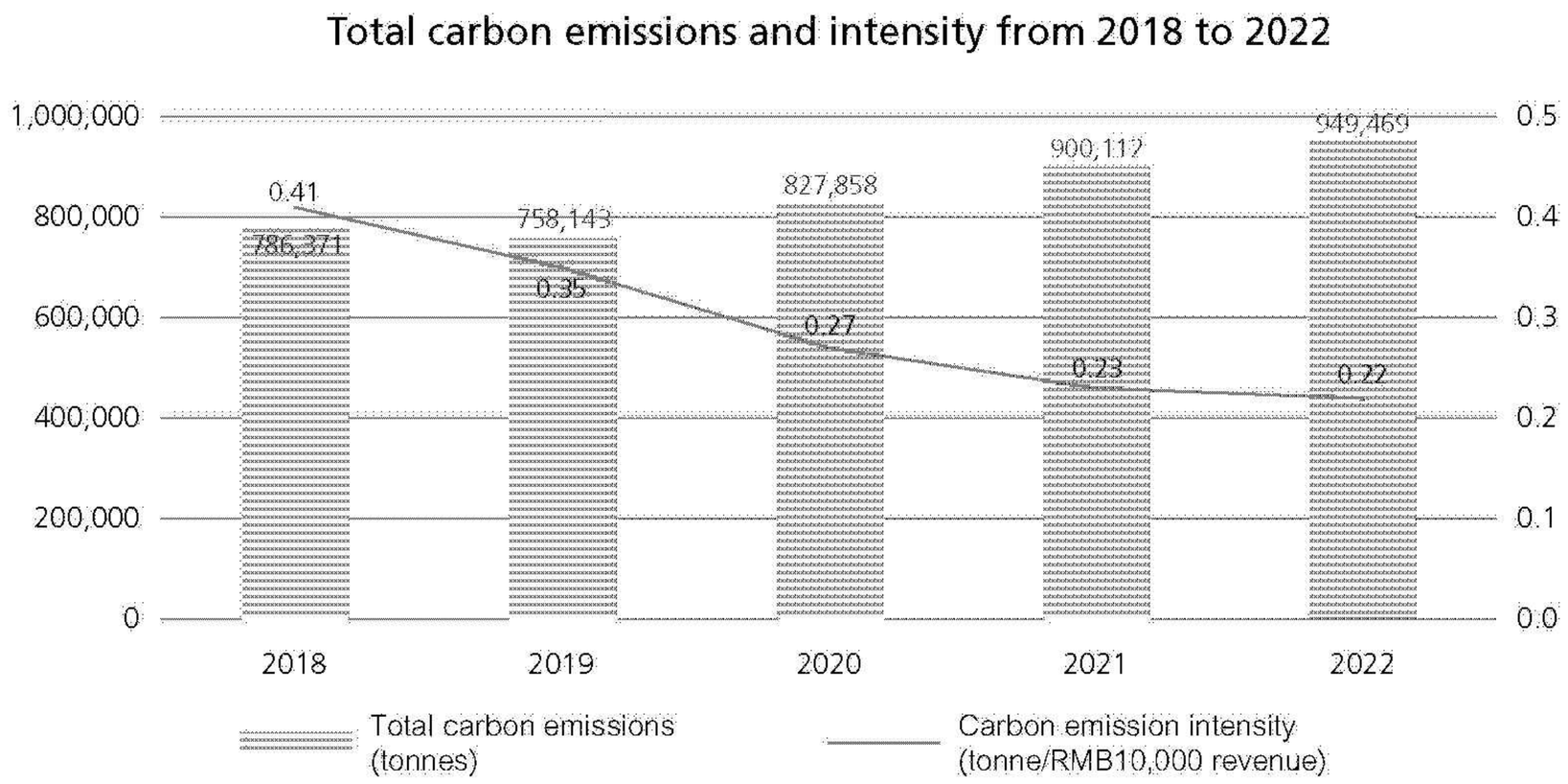
10 The energy consumption in 2020–2021 has been retrospectively adjusted by type. The adjustment basis: external energy consumption is the energy consumption corresponding to gasoline in the 2020–2021 ESG report.

11 The total carbon emission data does not include greenhouse gas emissions caused by biological sources and chemical sources within the responsibility boundary (i.e. within the physical boundary of production, operation and office. The greenhouse gases included in carbon emission accounting only include carbon dioxide, so the selection of GMP values is not involved. The carbon emission factors refer to the 2012 Regional Power Grid Average CO_2 Emission Factors in China, the Calculation Method and Reporting Guidance on Greenhouse Gas Emission by Other Industrial Enterprises (Trial), the IGES List of Grid Emission Factors V11.0, the GHG Emission Factors for Electricity Consumption, European Commission, Joint Research Centre (JRC) [Dataset] PID, and other domestic and foreign methodological documents on carbon emission sources and calculations.

12 Direct greenhouse gas emission sources include the combustion of fossil fuels such as natural gas, liquefied gas, raw coal, diesel, gasoline and fuel oil. The carbon emissions from gasoline consumption in the 2020-2021 ESG report have been removed from the original direct carbon emission sources (Scope 1) and adjusted to other indirect carbon emissions (Scope 3). Retrospective adjustments led to inconsistencies between the direct carbon emissions for 2020-2021 in this report and previous reports.

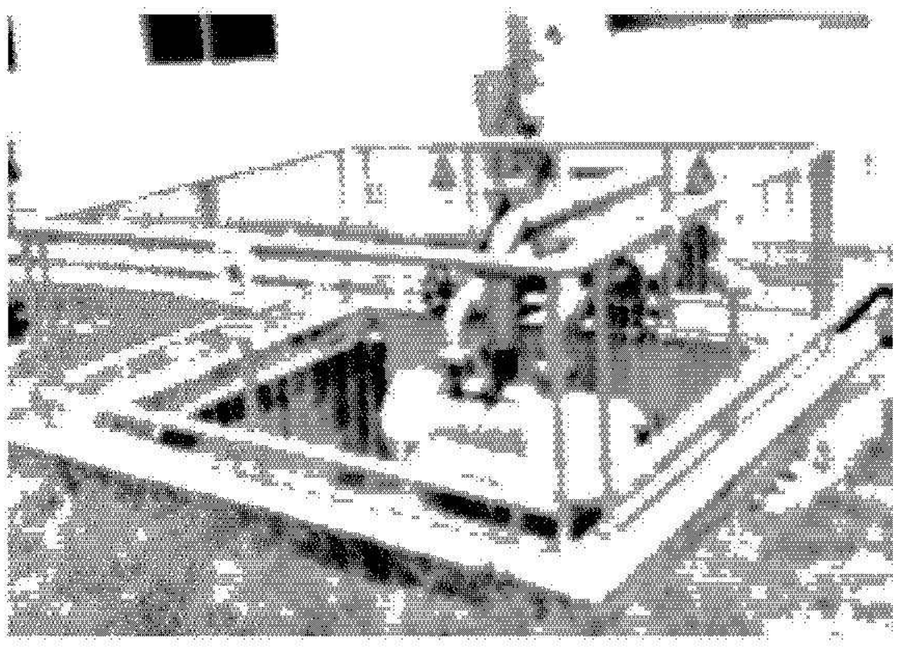
13 The meaning of indirect greenhouse gas emissions in the 2020-2021 ESG report is consistent with that of energy indirect greenhouse gas emissions in this report. Energy indirect greenhouse gas emission sources include net purchased electricity and steam.

14 Other indirect sources of carbon emissions include the burning of gasoline for business travelling and employees' commuting.



Recovery of industrial steam condensate in Dongting Pharma

A total of RMB0.15 million has been invested in the preparation plant of Dongting Pharma to recycle steam condensate and pure steam from air-conditioning units, heaters and humidifiers, distilled water machines, pure steam generators, and solid condensate pipe networks, which significantly reduced energy consumption and greenhouse gas emissions while reducing water consumption. The project is expected to save 1,800 tonnes of soft water per year and 40,000 cubic meters of natural gas per year.



3.2 Environmental Management

Adhering to the concept of integrity and sustainable development, the Group actively advocates and assumes the responsibility of promoting environmentally sustainable development, integrates the concept of environmental protection into every link of operation, prevents pollution, protects ecological diversity and builds an environment-friendly community. In strict compliance with the laws and regulations of the place where it operates, such as the Environmental Protection Law of the People's Republic of China, the Environmental Impact Assessment Law of the People's Republic of China and the Environmental Protection Tax Law of the People's Republic of China, the Group has formulated and issued the Environmental Health and Safety (EHS) Policy, which clarifies the Group's overall management approach and vision for EHS.

To further standardize environmental management and implement the environmental management responsibility system, the Group continues to improve the environmental management system. The Board of Directors of the Group is the highest responsible body for ESG affairs management, and its ESG committee is responsible for supervising and reviewing the implementation of ESG-related policies such as environmental management and resource utilization as well as the progress of objective fulfillment. In addition, we have also established the EHS Special Committee and the EHS Group to be responsible for implementing the Group's EHS tasks, coordinate management and supervision of EHS-related work in five dimensions of environmental protection, safety, fire prevention, occupational health and EHS management system, and continuously optimize management methods. During the Reporting Period, we followed the Notice on Control Target Indicators of EHS Management System issued in 2021 and further incorporated EHS-related indicators such as the achievement of environmental goals and EHS performance into performance appraisal, and determined the amount of EHS bonuses based on the appraisal scores. By linking EHS management with operating performance, we encourage the implementation and efficiency enhancement of EHS management.

3.2.1 Environmental Management System

The Group has established an internal environmental management system in strict compliance with the requirements of the ISO 14001 environmental management system, covering the Group's headquarters and major subsidiaries. We have formulated and issued the EHS management system framework standard, taking the requirements of the environmental management system, occupational health and safety management system and national standardization of production safety into consideration, standardizing the EHS supervision and management process, clarifying the EHS performance assessment and reward mechanism, and supervising the effective operation of EHS management system of subsidiaries.

During the Reporting Period, in order to further improve the Group's environmental management level and help the headquarters to conduct a comprehensive review of environmental risks and the current state of environmental management of the subsidiaries, we continued to promote the improvement of environmental management systems of subsidiaries and carry out third-party assessment and certification. During the Reporting Period, the Group obtained ISO14001 certification for the first time through group certification, with the first batch of subsidiaries participating in group certification accounting for 18% of manufacturing subsidiaries. In addition, as of the end of the Reporting Period, 15 subsidiaries of the Group[15] received independent ISO 14001 certification. In the future, the Group will continue to expand the coverage of subsidiaries with ISO 14001.

On the basis of accepting and successfully passing the external audit, the Group regularly conducts EHS internal audit with multiple assessment dimensions for all subsidiaries involved in manufacturing and R&D business, including EHS department audit at headquarters, internal cross audit between subsidiaries and enterprise self-audits. EHS internal audit plan takes a three-year cycle to ensure the coverage of all subsidiaries. Among them, all preparation enterprises receive cross audit at least once every three years.

[15] Including Wanbang Pharma, Xuzhou Wanbang Jinqiao Pharmaceutical Company Limited, Zhaohui Pharma, Chemo Biopharma, Wanbang Folon, Fosun Beiling (Beijing) Medical Technology Co., Ltd., Yao Pharma, Guilin Pharma, Suzhou Erye, Shandong Erye, Dongting Pharma, Red Flag Pharma, Shine Star, Dengrui Feiye and Gland Pharma.

Internal audit mainly examines two aspects, namely EHS compliance and management system effectiveness. Compliance audit adopts the audit criteria in the laws, regulations and standards in environmental management, chemical safety, production safety, process safety, occupational health and firefighting safety to ensure that the effective control of EHS compliance risks in production subsidiaries. The management system internal audit is based on the Group's EHS management system requirements, so as to strengthen the central EHS supervision and coordination and ensure the efficient operation of the EHS management system.

EHS internal audit

- Audits conducted by the EHS department at headquarters: The EHS department at headquarters is responsible for auditing the EHS compliance of the headquarter and subsidiaries
- Cross audits of subsidiaries: An audit group is formed by EHS experts from various segments and subsidiaries to improve the professionalism and reliability of EHS audits
- Self-audits of subsidiaries: The Company and its subsidiaries conduct annual audits on their own EHS work

EHS rectification

- An audit report is generated for the problems exposed, and the audited company is required to develop corrective and preventive action plans
- Different time limits are set for rectification based on the severity of the problems, and the EHS department at the headquarters is responsible for follow-up and closure of rectification items

EHS Audit Process

EHS management system | Environment protection | Safety | Fire safety | Occupational health

EHS Audit Dimensions

During the Reporting Period, the Group continued to increase investment in environmental protection in order to improve the level of corporate environmental management and make up for shortcomings in environmental governance. In 2022, the Group has invested a total of RMB28.73 million in environmental protection facilities, mainly focusing on the construction or upgrading of environmental protection facilities such as purification engineering facilities, sewage treatment facilities and boiler renovation. The cumulative investment in environmental protection operation and maintenance amounted to RMB109.99 million, mainly focusing on the operation of environmental protection facilities such as sewage and waste gas as well as the disposal of hazardous waste. The construction cost of environmental protection facilities for new bases during the Reporting Period amounted to approximately RMB40 million. During the Reporting Period, the Group did not experience any external environmental pollution incidents or major environmental penalties.

During the Reporting Period, seven subsidiaries[16] were awarded the honorary title of national or provincial green factory.

[16] Namely Wanbang Pharma, Zhaohui Pharma, Chemo Biopharma, Wanbang Folon, Guilin Pharma, Suzhou Erye and Red Flag Pharma.

3.2.2 Environmental Strategic Goals

It has always been the Group's objective to continuously reduce pollutant emissions and resource consumption, and reduce the impact of operations on the environment. In 2021, based on the solid foundation laid by the first five-year goals, the Group formulated the second five-year (2021-2025) EHS strategic objectives, among which, we set ambitious reduction targets for waste gas, waste water, waste discharge and water resource consumption. With the joint efforts of the whole group, the environmental strategic goals for 2022 have reached the standard, and the emission intensities of sulfur dioxide, particulate matter, VOCs, sewage, total waste, hazardous waste and water consumption have achieved the second five-year EHS strategic goals ahead of schedule.

Item	2021 to 2025 Emission Goals	Progress Against Goals
Waste gas emission	• Emission intensity of nitrogen oxides: decrease by 20% in 2025 comparing to 2020, i.e. 40.86 g/RMB10,000 revenue in 2025	• Emission intensity of nitrogen oxides: In progress
	• Emission intensity of sulfur dioxide: decrease by 20% in 2025 comparing to 2020, i.e. 27.41 g/RMB10,000 revenue in 2025	• Emission intensity of sulfur dioxide: Goal achieved
	• Emission intensity of particulate matter: decrease by 20% in 2025 comparing to 2020, i.e. 9.57 g/RMB10,000 revenue in 2025	• Emission intensity of particulate matter: Goal achieved
	• Compliance rate of VOCs emission: 100% compliance with annual VOCs emission standards by 2025	• VOCs emission: Goal achieved
Sewage drainage	• Emission intensity of sewage: decrease by 15% in 2025 comparing to 2020, i.e. 1.84 tonnes/RMB10,000 revenue in 2025	• Emission intensity of sewage: Goal achieved
	• Emission intensity of chemical oxygen demand (COD): decrease by 15% in 2025 comparing to 2020, i.e. 0.19kg/RMB10,000 revenue in 2025	• Emission intensity of COD: In progress
	• Emission intensity of ammonia nitrogen: decrease by 15% in 2025 comparing to 2020, i.e. 0.025kg/RMB10,000 revenue in 2025	• Emission intensity of ammonia nitrogen: In progress
Wastes emission	• Emission intensity of total waste[17]: decrease by 10% in 2025 comparing to 2019, i.e. 23.166kg/RMB10,000 revenue in 2025	• Emission intensity of total waste: Goal achieved
	• Emission intensity of hazardous waste: No more than an annual increase of 10%	• Emission intensity of hazardous waste: Goal achieved
Water consumption	• Intensity of water consumption: decrease by 15% in 2025 comparing to 2020, i.e. 2.65m^3/RMB10,000 revenue in 2025	• Intensity of water consumption: Goal achieved

[17] Including hazardous waste and general solid waste.

3.2.3 Pollutant Management

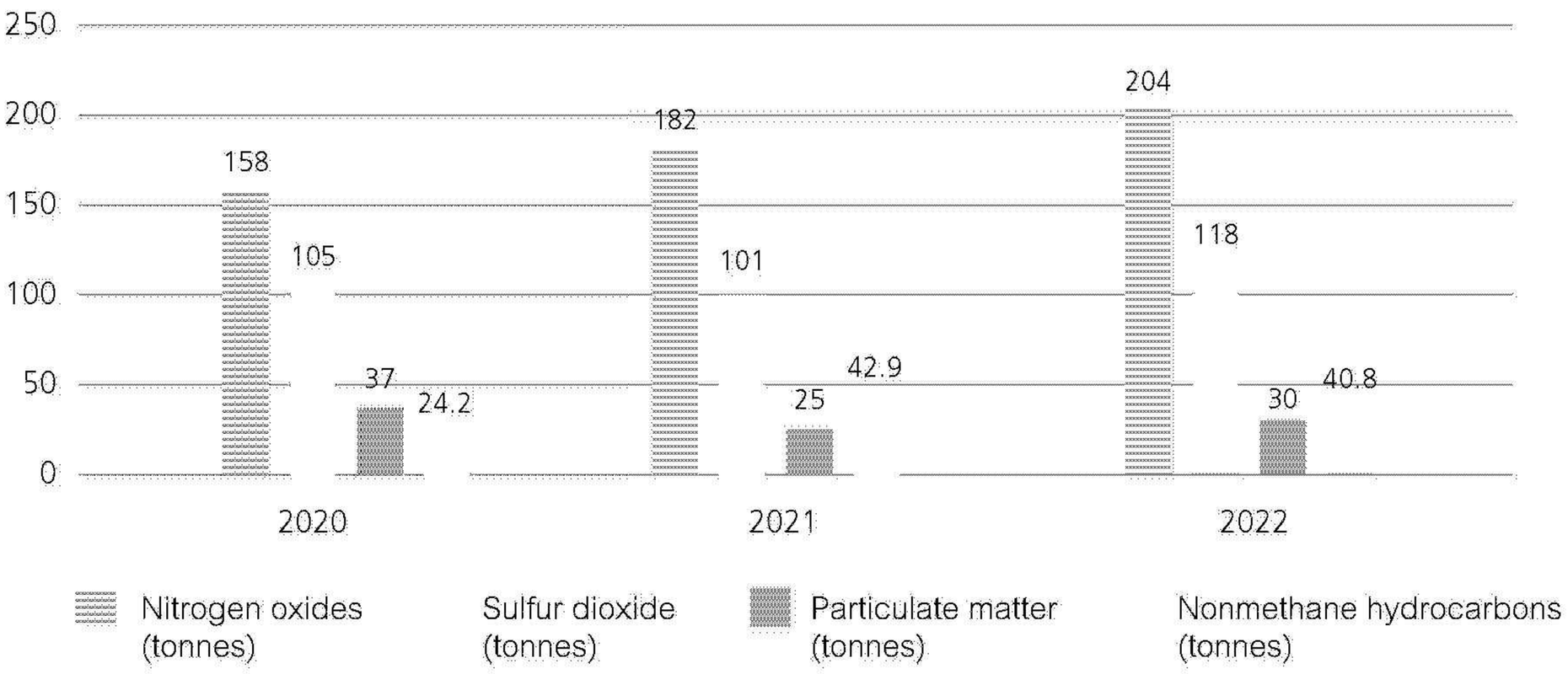
The discharge of pollutants not only directly affects the healthy operation of the ecosystem, but also poses a potential threat to human society. The Group strictly complies with laws and regulations including the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on the Prevention and Control of Water Pollution and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes. Meanwhile, it effectively prevents and controls the pollution of soil and groundwater, and strives to promote its reduction on the basis of ensuring the compliant emissions of waste gas, waste water, waste and other pollutants.

Waste Gas Management

In order to prevent excessive waste gas emissions from posing health threats to the surrounding environment and communities, and to effectively achieve waste gas emission targets, the Group is committed to reducing and controlling the generation and emission of waste gas from the source. The Group equips R&D and production sites with corresponding ventilation facilities, strengthens source control of volatile substances, and encourages the implementation of alternative processes. At the same time, we formulated requirements for air pollutant emission reduction and treatment measures for subsidiaries, actively responded to the organized collection of waste gas, and reduced fugitive emissions of VOCs. During the Reporting Period, the compliance rate of the Group's VOCs emissions was 100%, with the total annual emissions of non-methane hydrocarbons (NHMC) discharged in an organized way decreasing by 4.9% compared to the previous year, and the emission intensity of nitrogen oxides decreasing by 0.34% compared to the previous year.

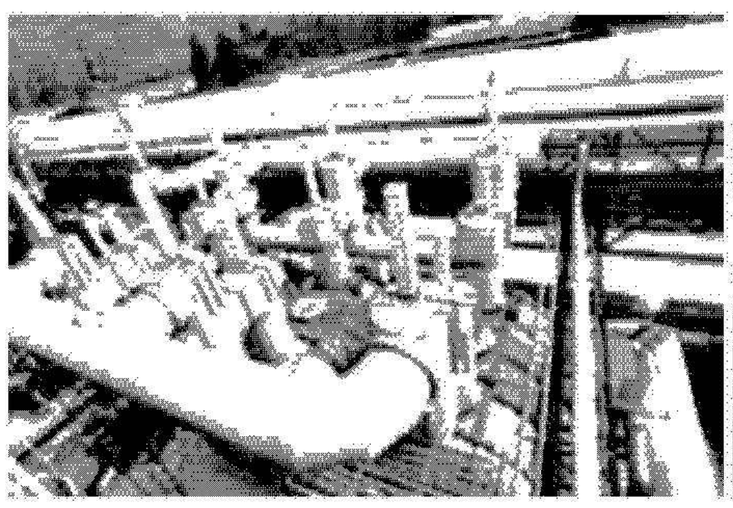
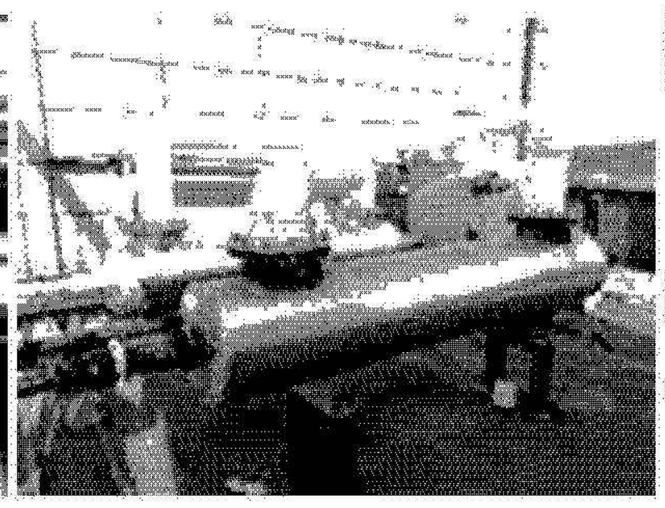
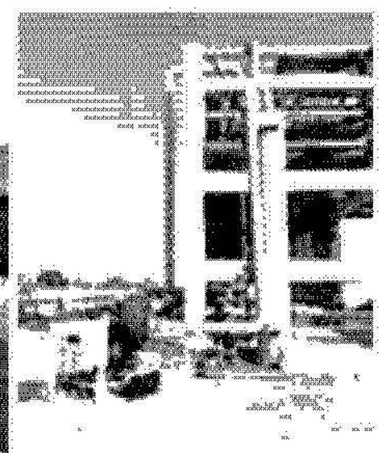
Year	NO_X (tonnes)	SO_2 (tonnes)	Particulate matter (tonnes)	NHMC (tonnes)	NO_X emission intensities (gram/ RMB10,000 revenue)	SO_2 emission intensities (gram/ RMB10,000 revenue)	Particulate matter emission intensities (gram/ RMB10,000 revenue)
2020	158	105	37	24.2	—	—	—
2021	182	101	25	42.9	46.61	25.91	6.45
2022	204	118	30	40.8	46.45	26.91	6.90

Waste Pollutant Emissions from 2020 to 2022 (tonnes)



VOCs emission reduction and treatment project

During the Reporting Period, various subsidiaries including Guilin Pharma, Avanc Pharma and Xingnuo Pharmaceutical added or upgraded VOCs treatment facilities with a total investment of more than RMB3.1 million, using activated carbon adsorption, spray pre-treatment, condensation pre-treatment and other processes to carry out treatment of VOCs gases, so as to ensure compliant emissions when discharged.

Sewage Management

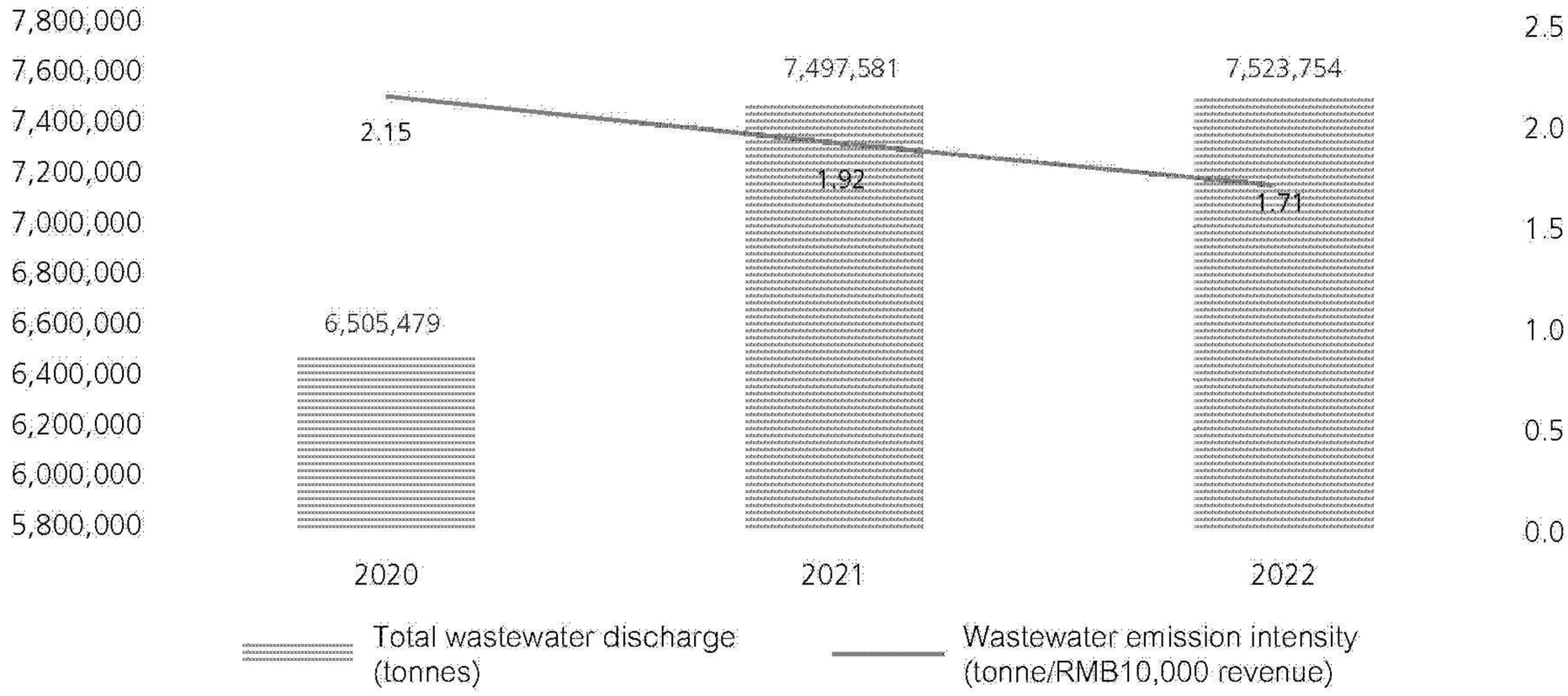
The Group actively adopts measures to reduce wastewater discharge in order to reduce the burden on the surrounding environment of the place of operation. The Group's wastewater mainly includes domestic wastewater and production wastewater. To further promote the progress of the strategic goal of wastewater discharge and reduce the discharge intensity of sewage, as well as the emission intensities of COD and ammonia nitrogen, the Group strictly abides by the laws and regulations of the places where it operates, conducts classification and collection in adherence to the principle of "classified treatment of rainwater and sewage", and establishes a sound drainage pipe network, thus ensuring that the wastewater is discharged into the municipal official system under the premise of compliant water quality parameters, and it is strictly forbidden to discharge wastewater directly into the surface water body. During the Reporting Period, the Group's wastewater discharge intensity decreased by 10.94% year-on-year as compared to 2021, with the COD emission intensity increasing by 5.56% year-on-year and the ammonia nitrogen emission intensity increasing by 5.26% year-on-year.

Year	Total sewage emission (tonnes)	Sewage emission intensity (tonne/ RMB10,000 revenue)	Chemical oxygen demand[18] (tonne/year)	Chemical oxygen demand emission intensity (kg/ RMB10,000 revenue)	Ammonia nitrogen[19] (tonnes/year)	Ammonia nitrogen emission intensity (kg/RMB10,000 revenue)
2020	6,505,479	2.15	655	0.22	88.5	0.030
2021	7,497,581	1.92	704	0.18	146	0.038
2022	7,523,754	1.71	841	0.19	175	0.040

18 In 2022, the adjustment of the COD statistical caliber of Shine Star, from the original emission of COD concentration of 114.35mg/L estimated by the sampling method to the direct reading of the online monitoring equipment, led to a large increase in COD during the Reporting Period.

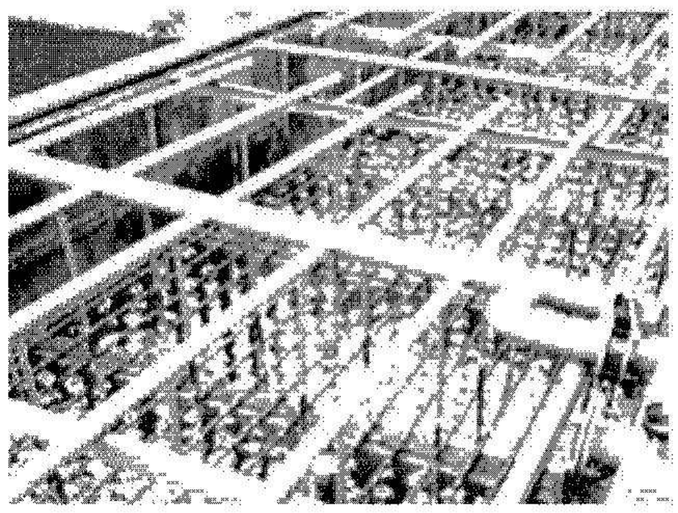
19 In 2022, the adjustment of the statistical caliber of the ammonia nitrogen emission, from the original emission of ammonia nitrogen concentration of 37.04mg/L estimated by the sampling method to the direct reading of the online monitoring equipment, led to a large increase in ammonia nitrogen emission during the Reporting Period.

Total wastewater discharge and intensity from 2020 to 2022

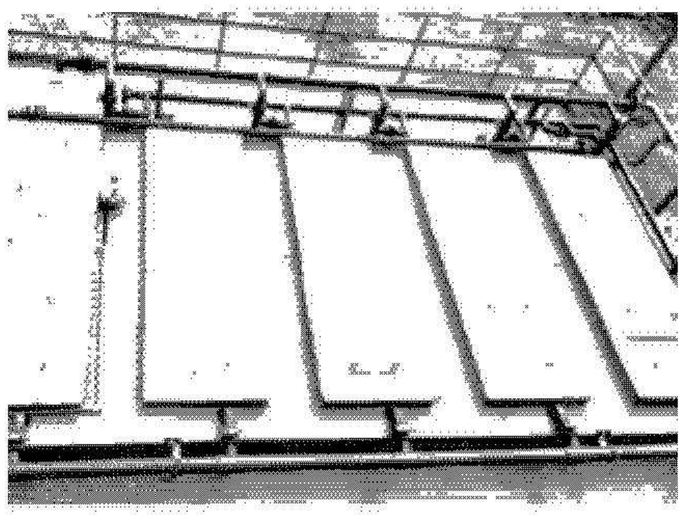


Systematic upgrade of sewage station

Since 2016, various subsidiaries have successively carried out systematic sewage treatment upgrading projects. During the Reporting Period, Suzhou Erye and Carelife Pharma carried out renovation and upgrading for the on-line sewage monitoring equipment and advanced treatment system of high-concentration wastewater, which improved the accuracy of wastewater discharge monitoring data and reduced pollutant discharge.



Filler replacement of aerobic zone



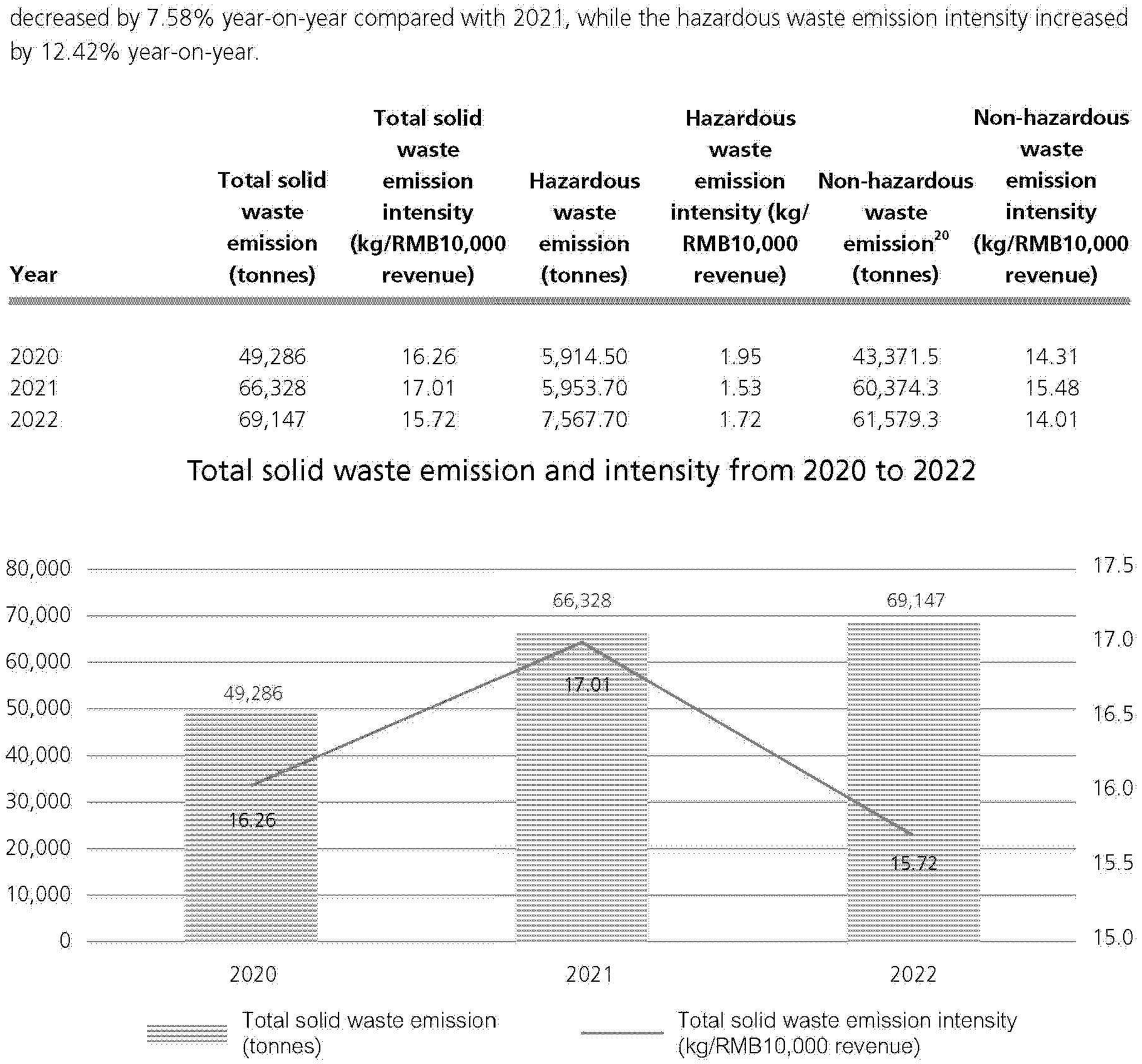
Newly-added advanced processing system

Waste Management

The Group attaches great importance to the standardized disposal of solid waste, which mainly involves domestic waste, industrial waste (excluding hazardous waste) and hazardous waste. The Group adheres to the principle of "reduction, recycling and harmless treatment". Some subsidiaries have adopted various measures to reduce the generation of waste, including but not limited to inspecting the type, source and quantity of waste, establishing a list of waste, and monitoring waste generation, transfer and disposal, etc. For industrial waste, we strive to improve the resource reuse rate and entrust a third party to dispose of and reuse waste packaging materials, animal pancreas residues, coal residues and traditional Chinese medicine filter residues in compliance with regulations, reusing 45,476.2 tonnes of industrial waste throughout the year. In addition, we have also carried out a series of hazardous waste optimization projects to advance the reduction of hazardous waste, and realized the reuse of 82.9 tonnes of hazardous waste throughout the year, with a recycling rate of 1.10% of hazardous waste. During the Reporting Period, the Group's emission intensity of total solid waste decreased by 7.58% year-on-year compared with 2021, while the hazardous waste emission intensity increased by 12.42% year-on-year.

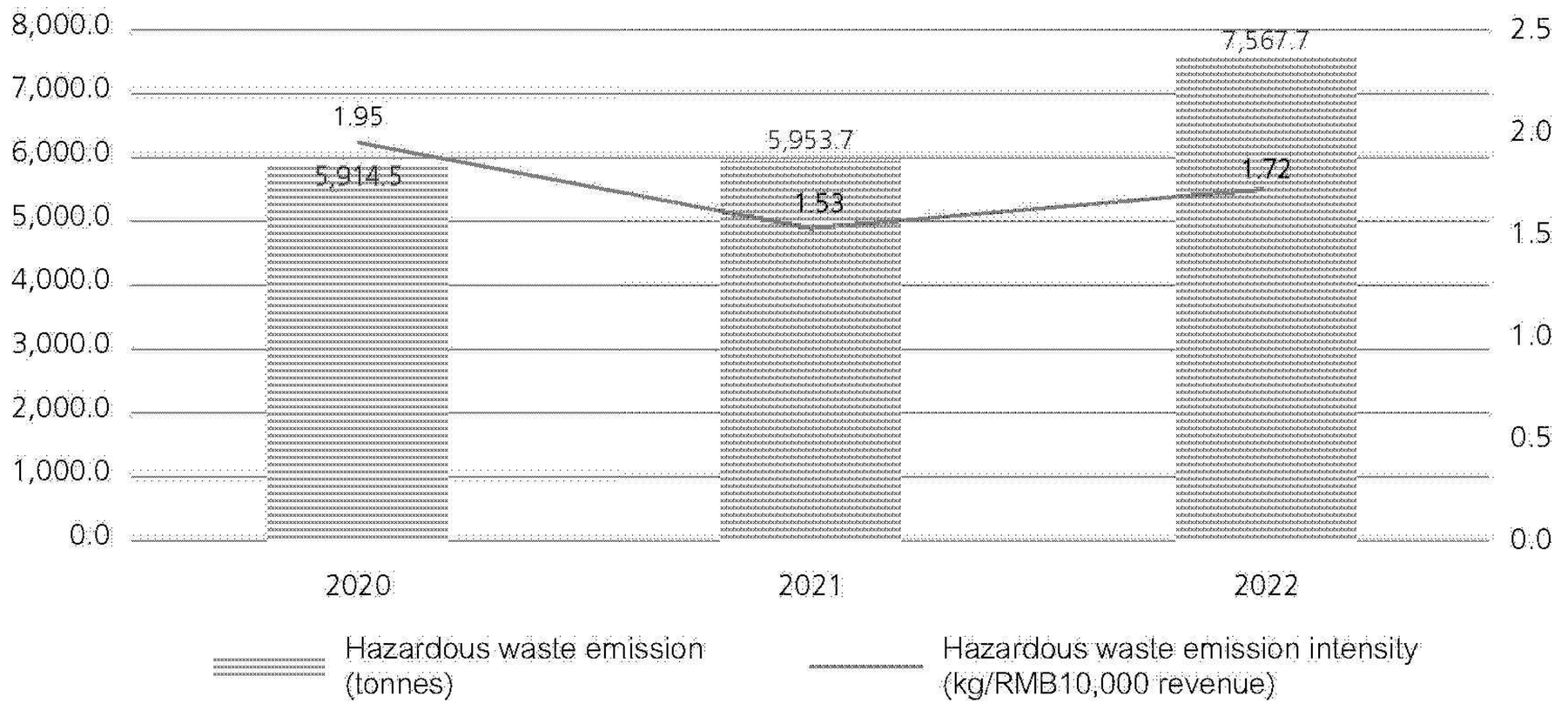
Year	Total solid waste emission (tonnes)	Total solid waste emission intensity (kg/RMB10,000 revenue)	Hazardous waste emission (tonnes)	Hazardous waste emission intensity (kg/RMB10,000 revenue)	Non-hazardous waste emission[20] (tonnes)	Non-hazardous waste emission intensity (kg/RMB10,000 revenue)
2020	49,286	16.26	5,914.50	1.95	43,371.5	14.31
2021	66,328	17.01	5,953.70	1.53	60,374.3	15.48
2022	69,147	15.72	7,567.70	1.72	61,579.3	14.01

Total solid waste emission and intensity from 2020 to 2022

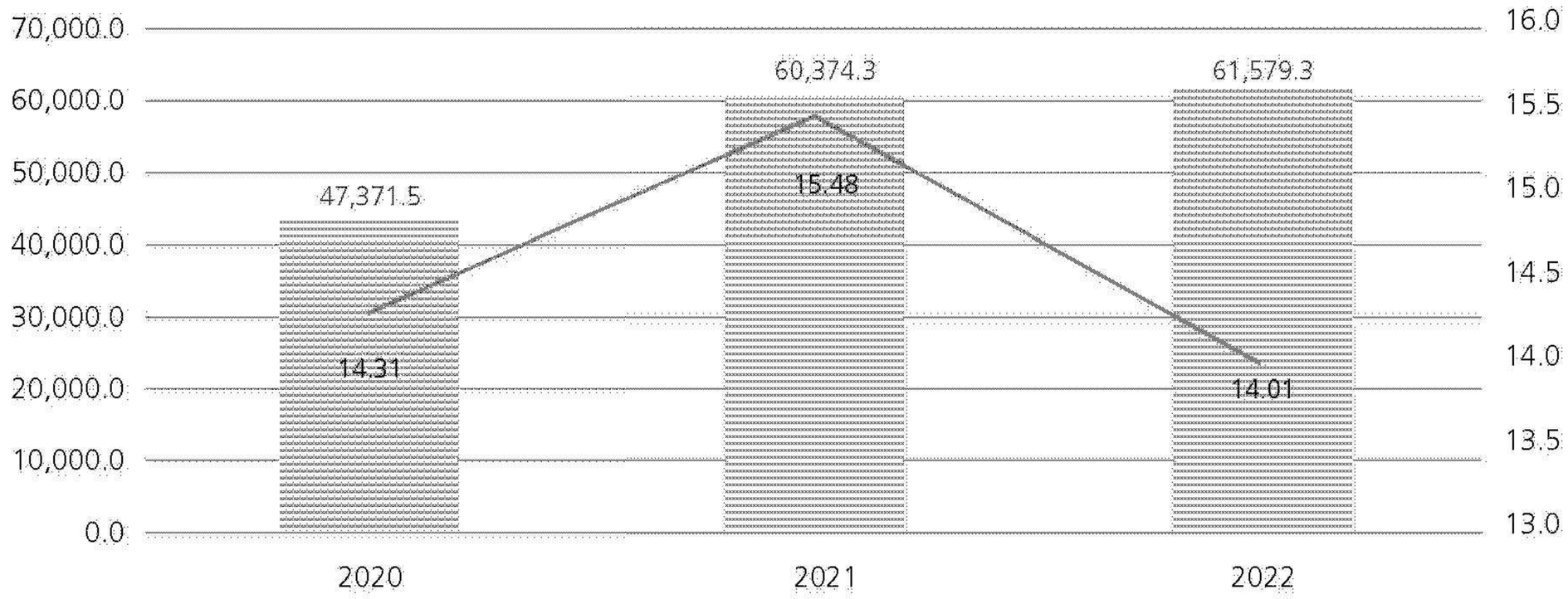


[20] Non–hazardous waste includes domestic waste and industrial waste (excluding hazardous waste).

Total hazardous waste emission and intensity from 2020 to 2022

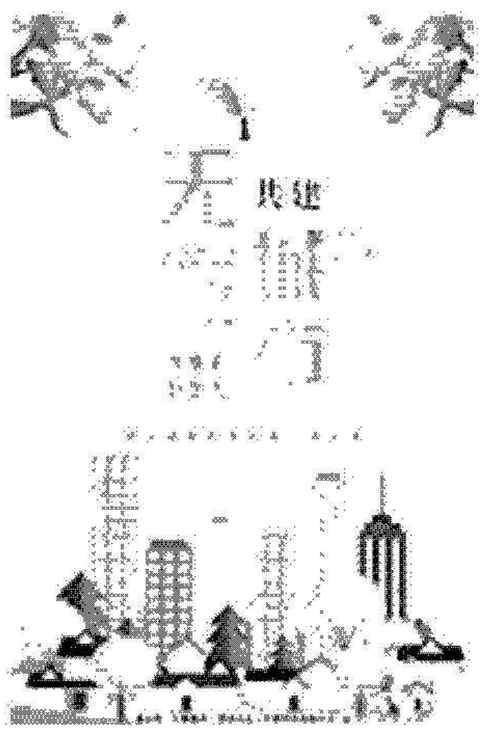


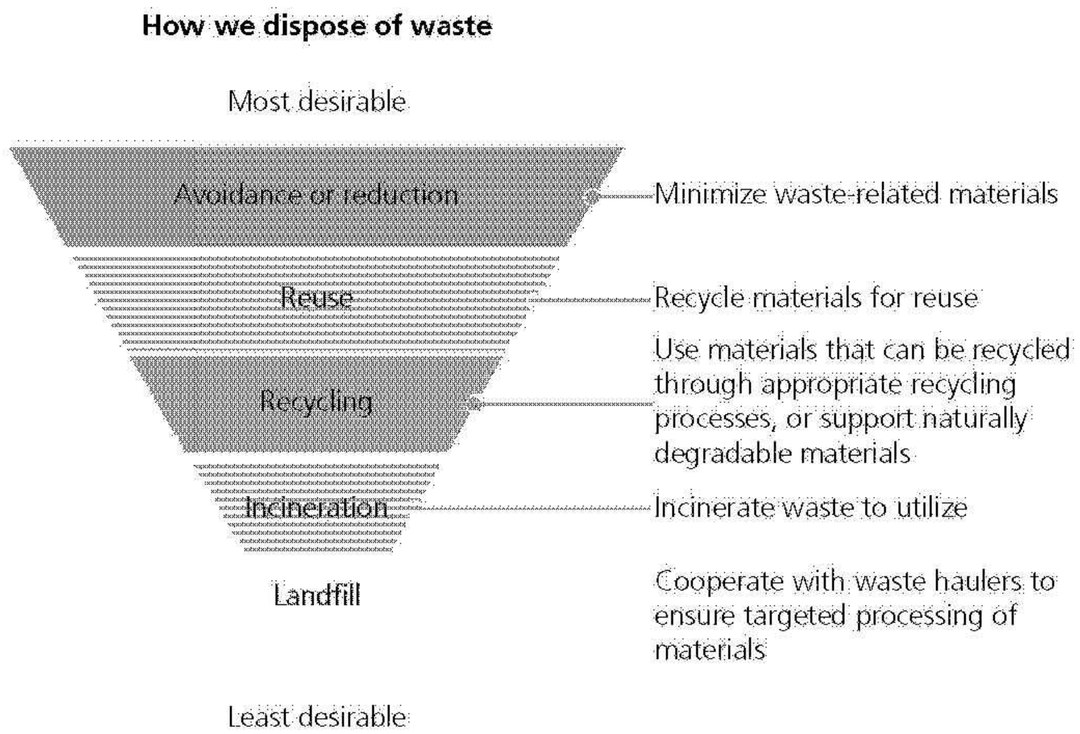
Total solid waste emission and intensity from 2020 to 2022



"Zero Waste City" Construction Project

The Group actively responded to the national goal of building a "waste-free city" and took it as one of the theme activities of 2022 EHS Management Month to publicize and actively explore waste-free project opportunities. During the Reporting Period, the extracted salt residue produced in the production process of Shandong Erye was listed as a waste-free optimization project. Carelife Pharma adopted the resin adsorption waste gas treatment process, which contributed to green environmental protection of waste disposal.





Soil and Groundwater Management

The Group strictly complies with the Environment Protection Law of the PRC, the Law of the People's Republic of China on Prevention and Control of Soil Pollution, the Environment Protection Law of the PRC, Guidelines for Investigation of Hidden Dangers of Soil Pollution in Key Supervision Units (Trial) and other relevant laws and regulations, attaches great importance to the soil and groundwater pollution prevention, and vigorously controls soil and groundwater pollution throughout the operation life cycle. During the Reporting Period, there were no soil and groundwater pollution incidents caused by waste and chemical leakage in the Group.

Risk screening before acquisition

- Before the acquisition, we conduct environmental due diligence on all manufacturing companies to identify the environmental risks of the acquired enterprise
- For projects with a high risk of soil and groundwater pollution, we will make conditional acquisitions or directly stop the acquisitions

Control over daily operations

- We require our subsidiaries to formulate hazard classification standards based on their own production activities and potential pollutant types, adopt higher leakage protection levels for key areas that may have an impact on soil and groundwater, apply appropriate anti-seepage measures, and strengthen the investigation and detection in daily operations

Soil and Groundwater Pollution Control Measures

3.2.4 Resources Management

Natural resources are the guarantee for human survival. The Group attaches great importance to the natural resources protection, promotes resource recycling on the basis of reducing resource consumption, integrates the sustainability concept into every link of production and operation, actively practices green environmental protection, and minimizes the impact on the environment.

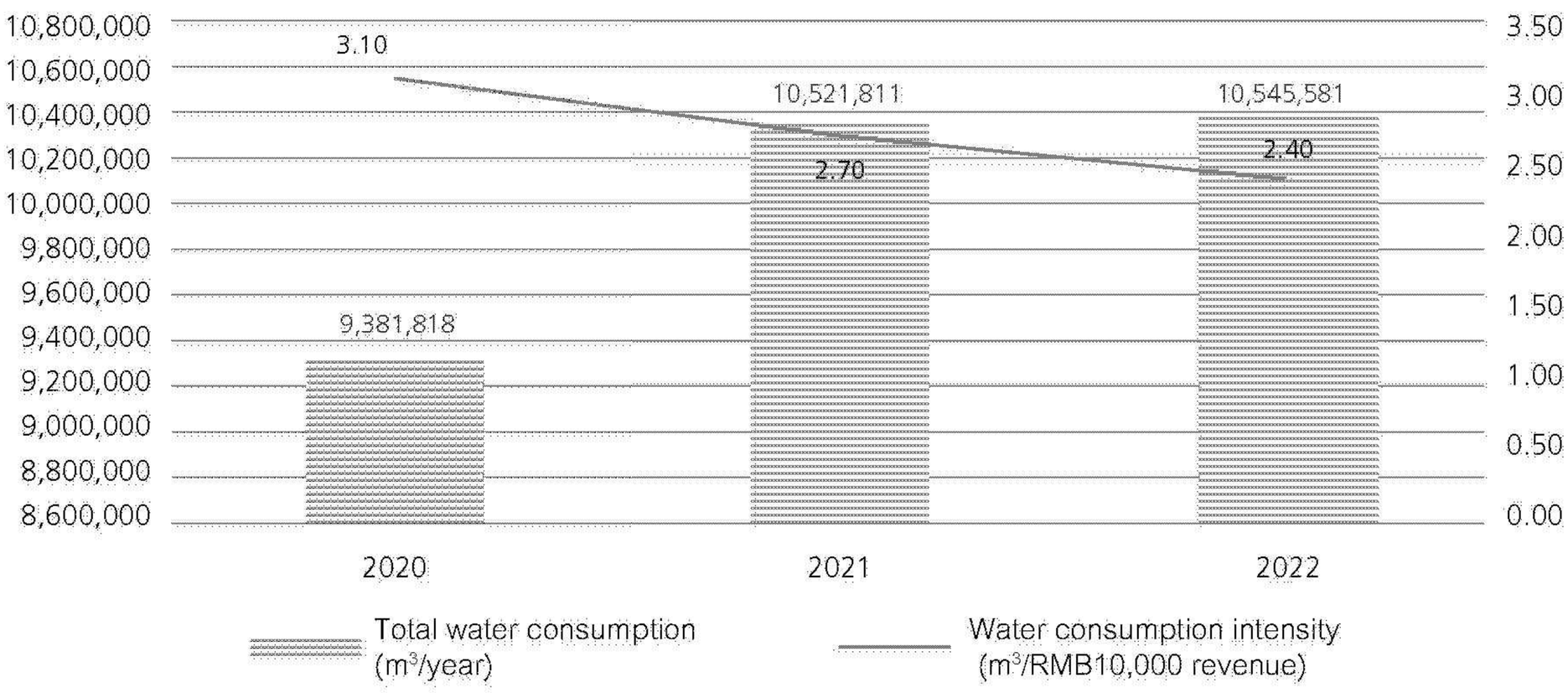
Water Resources Management

The Group strictly abides by the Water Law of the People's Republic of China and other relevant laws and regulations, and supports the No. 6 Sustainable Development Goals of the United Nations, "Clean Water and Sanitation", in order to regularly monitor and manage water risks and regulate the use and consumption of water resources, thus achieving sustainable water management in the Group's business operations and supply chain.

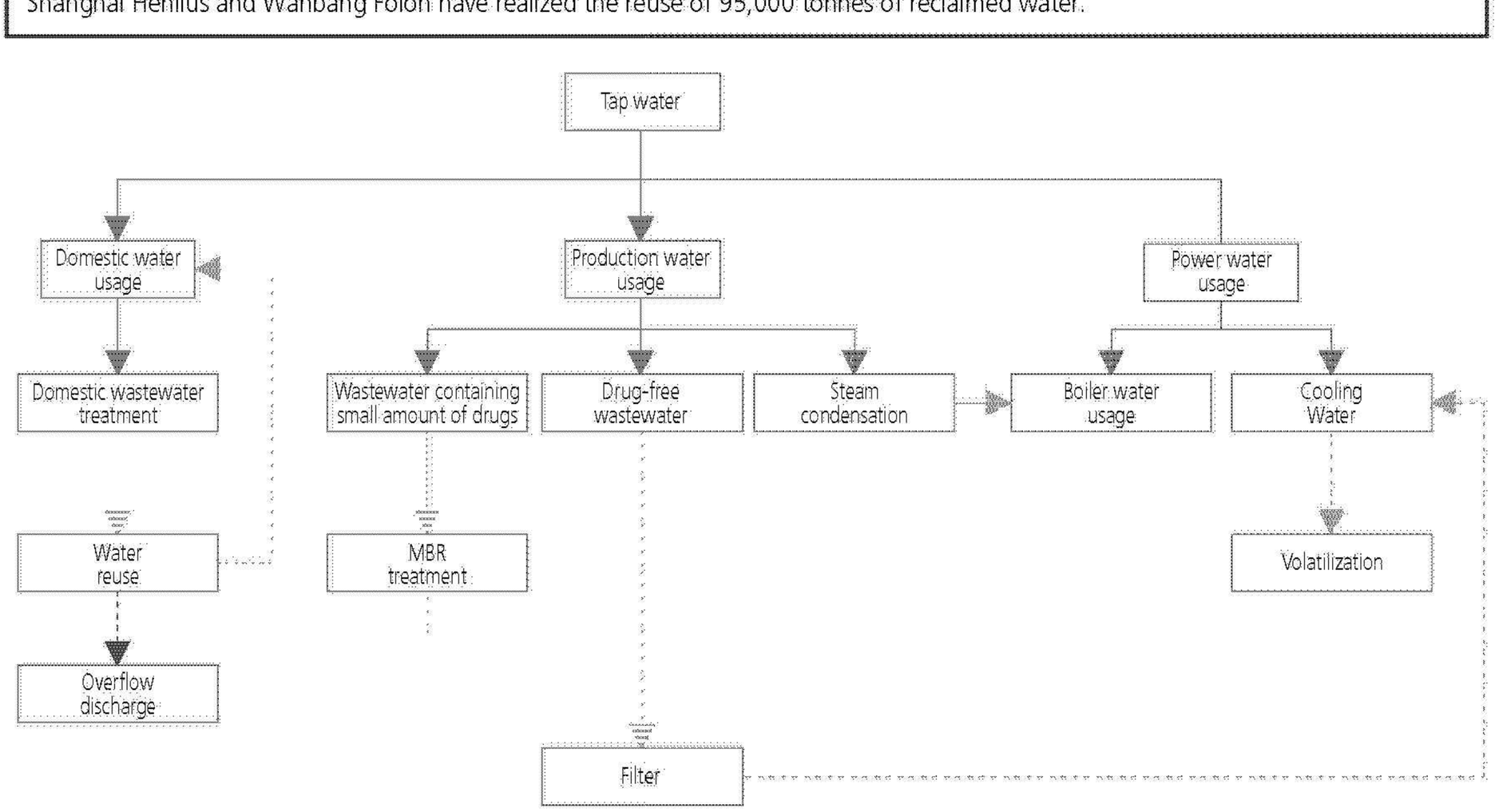
The Group attaches great importance to the issue of water resources, and reduces the use of water resources through measures such as source control, equipment upgrades, application and transformation of water cycle system, optimization of internal water use frequency and establishment of a water use performance assessment system, taking practical actions to protect water resources. During the Reporting Period, the Group invested a total of RMB1.15 million of special funds to carry out various water-saving measures. The total annual water saving totaled approximately 338,000m^3, accounting for 3.2% of the total annual water consumption, the recycled and reused water volume reached 10,084,225 tonnes, accounting for 48.9% of the total annual water consumption, and the intensity of water consumption dropped by 11.11% compared with 2021.

Year	Total water consumption (m^3/year)	Water consumption intensities (m^3/RMB10,000 revenue)
2020	9,381,818	3.10
2021	10,521,811	2.70
2022	10,545,581	2.40

Total water consumption and intensity from 2020 to 2022



Water reuse projects
Various subsidiaries have implemented water reuse projects to reuse the treated production and domestic wastewater for plant greening irrigation, cooling tower circulating water replenishment, etc., so as to further reduce wastewater discharge and improve water resource utilization. As of the end of the Reporting Period, five enterprises, namely Yao Pharma, Carelife Pharma, Guilin Pharma, Shanghai Henlius and Wanbang Folon have realized the reuse of 95,000 tonnes of reclaimed water.

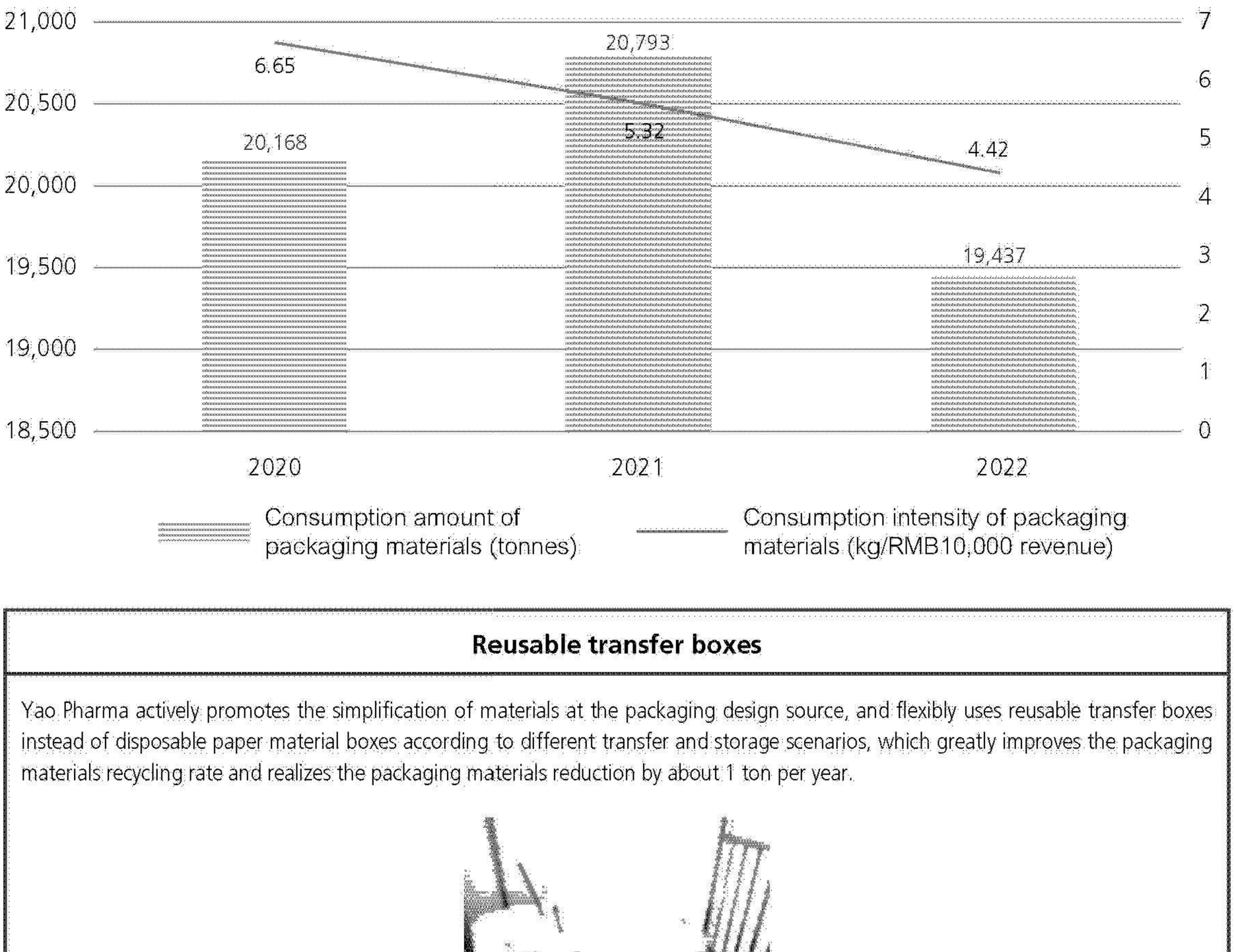


Packaging Materials Management

The Group strictly abides by the Circular Economy Promotion Law of the People's Republic of China and other laws and regulations, and is committed to reducing the usage of packaging materials and continuously improving their utilization. The Group consumes various types of packaging materials mainly in the process of product manufacturing, transportation and sales. Sticking to the principle of "source control, optimized use, reduction of resource consumption and pollutant emission", we promote the reduction of packaging materials throughout the product life cycle, covering the links of source design of product packaging, optimization of the product manufacturing process and material transportation. In addition, we also advance the recycling of packaging materials through the internal recycling of the enterprise and external sales to resource recycling companies for reuse. During the Reporting Period, the Group's packaging material consumption intensity was approximately 4.42kg/RMB10,000 revenue, a decrease of 16.87% compared with 2021, and a total of 878 tonnes of materials were recycled with a recycling rate of 4.52%.

Year	Packaging materials consumption amount (tonnes)	Packaging materials consumption intensity (kg/RMB10,000 revenue)
2020	20,168	6.65
2021	20,793	5.32
2022	19,437	4.42

Consumption amount and intensity of packaging materials from 2020 to 2022



Reusable transfer boxes

Yao Pharma actively promotes the simplification of materials at the packaging design source, and flexibly uses reusable transfer boxes instead of disposable paper material boxes according to different transfer and storage scenarios, which greatly improves the packaging materials recycling rate and realizes the packaging materials reduction by about 1 ton per year.

4. WIN-WIN PARTNERSHIP

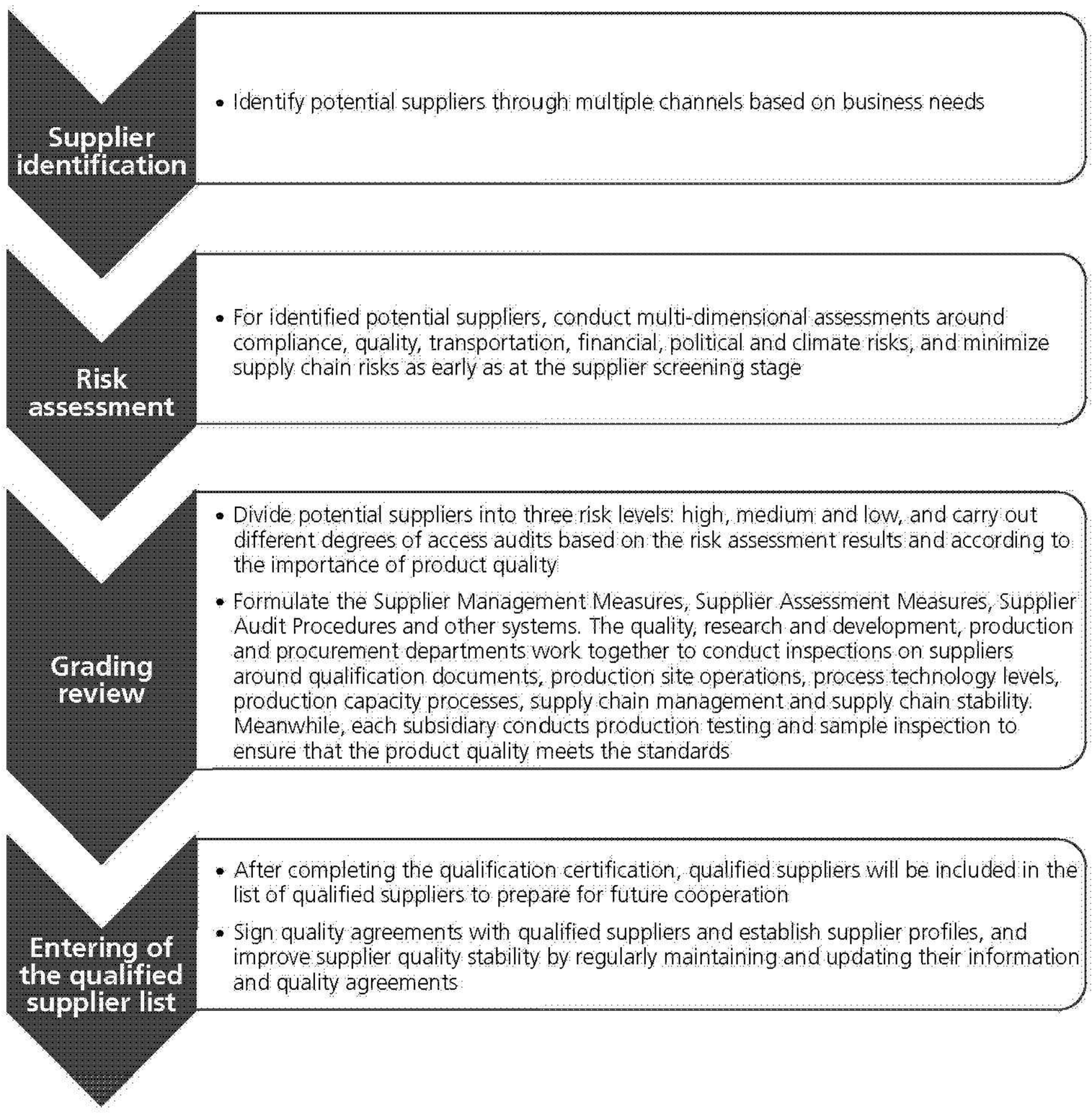
As a responsible international pharmaceutical and health industry group, the Group has always carried out business operations and upheld business ethics with high standards and strict requirements, and looked forward to cooperating with suppliers who share the same values and sense of responsibility. Adhering to the procurement principle of "legal and compliant, transparent and quality first", the Group continuously improves its supplier management system and collaborates with suppliers to jointly build a transparent and win-win sustainable supply chain.

4.1 Supplier Management

In strict compliance with the Tendering and Bidding Law of the People's Republic of China and other relevant laws and regulations of the place where it operates, the Group has formulated the Basic Standards for Procurement and Tender Management (Trial Implementation), the Basic Standards for Green Supplier Management (Trial Implementation) and other internal management system documents, regulates suppliers in a systematical and standardized manner, and improves supplier management efficiency. The Group has established a supplier lifecycle management process, covering all aspects of supplier identification and exploration, risk assessment, qualification confirmation, comprehensive assessment and partnership termination.

4.1.1 Strict Screening and Selection

The Group integrates quality management and risk control at the supplier admission stage, screens qualified suppliers from supplier identification, risk assessment, grading review and other links, and tracks supplier information and quality agreements to ensure that the comprehensive performance of suppliers meets our requirements, and systematically improve the overall quality of the supply chain.



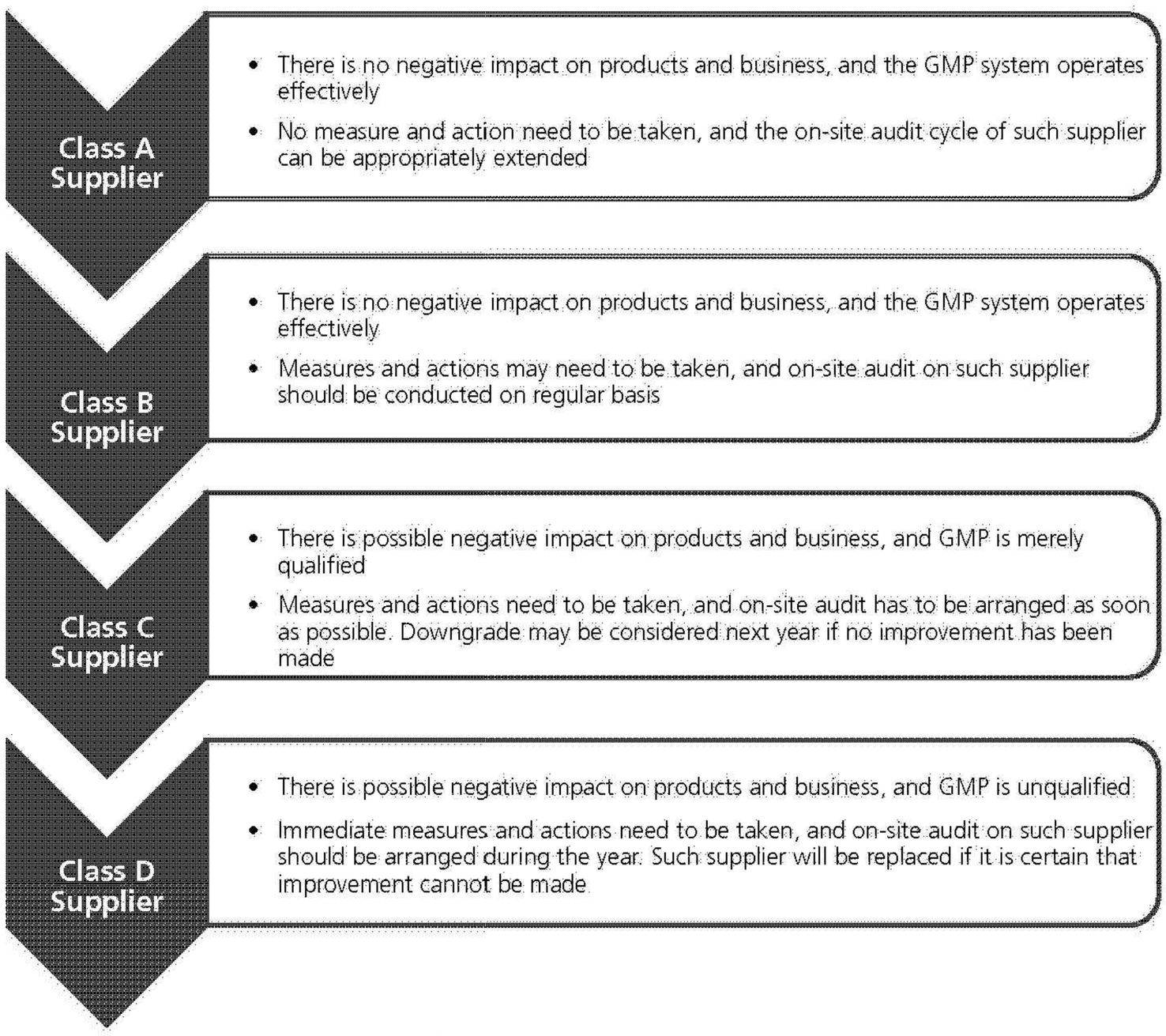
Supplier Screening Process

The geographical distribution of suppliers of domestic pharmaceutical segment of the Group as at the end of the Reporting Period, is set out below:

Province	Number of supplier	Province	Number of supplier	Province	Number of supplier	Province	Number of supplier
Beijing	60	Jiangsu	581	Guangdong	113	Gansu	8
Tianjin	50	Zhejiang	195	Guangxi	76	Qinghai	5
Hebei	151	Anhui	69	Hainan	14	Ningxia	4
Shanxi	27	Fujian	17	Chongqing	135	Xinjiang	12
Inner Mongolia	15	Jiangxi	51	Sichuan	120	Hong Kong, Macao & Taiwan	9
Liaoning	98	Shandong	295	Guizhou	4	Overseas suppliers	391
Jilin	32	Henan	74	Yunnan	3	/	/
Heilongjiang	20	Hubei	67	Tibet	3	/	/
Shanghai	365	Hunan	78	Shaanxi	24	/	/

4.1.2 Continuous Management and Control

The Group well acknowledge that the stability and quality level of material supply is essential to the final performance of the product. At the delivery stage upon the admission of supplier, the suppliers in the qualified supplier list are classified into four categories (i.e. A, B, C and D) according to the two dimensions of materiality of product quality and the effectiveness of the GMP system for the implementation of classification management as well as targeted continuous management measures.



Classification Management for Suppliers

The Group conducts annual audits on suppliers through qualification review, document review, on-site inspection, etc., and regularly adjusts the ratings of suppliers based on the audit results. The annual audit includes the following six dimensions:



Supplier Audit Dimensions

The Group sincerely cooperates with suppliers to assist them to make up for their shortcomings and meet the Group's qualification standards for suppliers. For suppliers with poor performance in the audit, we will conduct targeted on-site guidance and training to help them carry out rectification proposal and follow up continuously to ensure that problems can be solved in a timely and effective manner. For suppliers who have successfully improved, we will retain their original ratings; while for those who fail to improve in time, we will take measures to downgrade or terminate the cooperative relationship. During the Reporting Period, the Group audited a total of 1,572 suppliers and rejected 103 suppliers.

Subsidiary[21]	Wanbang Pharma	Yao Pharma	Avanc Pharma	Red Flag Pharma	Aleph	Suzhou Erye	Guilin Pharma	Shanghai Henlius
Number of suppliers under annual review	488	384	129	72	33	145	157	164
Number of suppliers involved in business for the year	758	537	148	114	59	249	157	164
Proportion of suppliers under annual review	64.4%	71.5%	87.2%	63.2%	55.9%	58.2%	100.0%	100.0%

Adhering to the "quality first" procurement principle, the Group conducts empowerment training and consulting sharing for all suppliers annually based on the supplier assessment results and the weak points identified in the audit to help them improve their craftsmanship and improve their delivery quality, and increases training frequency according to supplier classification. At the same time, we also continue to track standard requirement and latest information about product quality, and share them with suppliers in real time to assist them to interpret relevant meanings and requirements, thereby maintaining their industry knowledge sensitivity.

Ensuring the smooth and stable supply chain is the cornerstone of the orderly development of production and operation activities of enterprises. In order to continuously optimize and maintain the stability of the supply chain, the Group has extended the management of the supply chain from the early stage of procurement to all aspects of production, optimizing planning, stabilizing supply and ensuring the safety of material supply.

Supply Chain Stability Management	Ensure the stable supply in every procedure in production cycle (including raw materials, auxiliary materials and packaging materials). Ensure that there are two to three qualified suppliers in different regions for each material.
	For materials featuring a high supply risk, reasonably establish inventory (to meet the production needs of half a year to one year) and carry out dynamic management.
	For exclusive supply materials, increase the frequency of on-site audits or build a backup base.
	Improve the accuracy of future order forecasts.

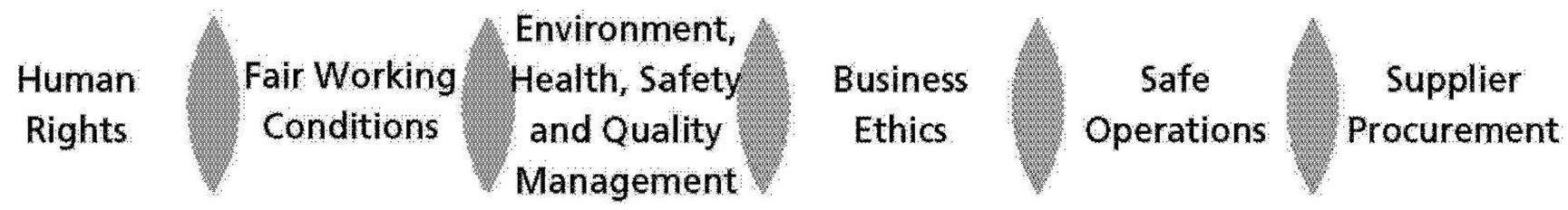
[21] The data of Wanbang Pharma, Yao Pharma, Suzhou Erye and Shanghai Henlius include the data of all subsidiaries within their system; subsidiaries reviewed core suppliers, such as suppliers of raw and auxiliary materials and internal packaging materials; some suppliers have not conducted annual review for suppliers purchased less than three batches of products during the year.

4.2 Sustainable Supply

4.2.1 Responsible Supply

Suppliers are not only related to the enterprise production and operation stability, but also to the enterprise reputation and community harmonious development. The Group has served as the governing unit of several trade associations, and actively responded to the requirements of the associations for enterprise supply chain risk assessment and management. While adhering to the procurement principle of "quality first" and strengthening supply chain quality control, the Group has integrated ESG requirements into the supplier management process, striving to build a high-quality and sustainable supply chain.

The Group regards "responsible procurement" as an important supply chain management goal, and expects to promote the sustainable development of the whole supply chain through its own industry influence. The *Code of Conduct for Suppliers* (the "Supplier Code of Conduct") formulated by the Group sets strict and clear requirements for suppliers' ESG performance, and it is applicable to suppliers, service providers and contractors, so as to ensure that the Group's system is effectively binding on all relevant personnel. The Supplier Code of Conduct covers the following aspects:



Topics Covered by the Code of Conduct of Suppliers

In order to convey the positive corporate philosophy of upholding business ethics to upstream and downstream suppliers, and jointly build a "legal, compliant and transparent" industrial supply chain, the Group attaches great importance to the supply chain integrity and compliance, and includes anti-corruption in the screening criteria from the supplier access stage. After cooperating with suppliers, the Group regularly conducts follow-up inspection on key suppliers according to the audit plan to ensure the compliance of material procurement and use, as well as the supervisors' duty performance, and conduct random check on procurement files, contracts, financial payments and other documents to ensure compliance and prevent corruption.

The Group has specified the reporting and complaint methods for non-compliant supplier behaviors in the Code of Conduct of Suppliers, and encourages all stakeholders to report suppliers' violations or suspected violations of the Code of Conduct of Suppliers through these channels:

Whistle-blowing channel	Contact information
Fosun Pharma's Centralized Procurement and Procurement Management Department	Telephone: +86 21 33987286 Email: ep_procurement@fosunpharma.com
Fosun Pharma's Anti-Corruption Supervision Department	Telephone: +86 21 33987226 Email: lianzhengdc@fosunpharma.com
Reporting Portal	www.fosunpharma.com

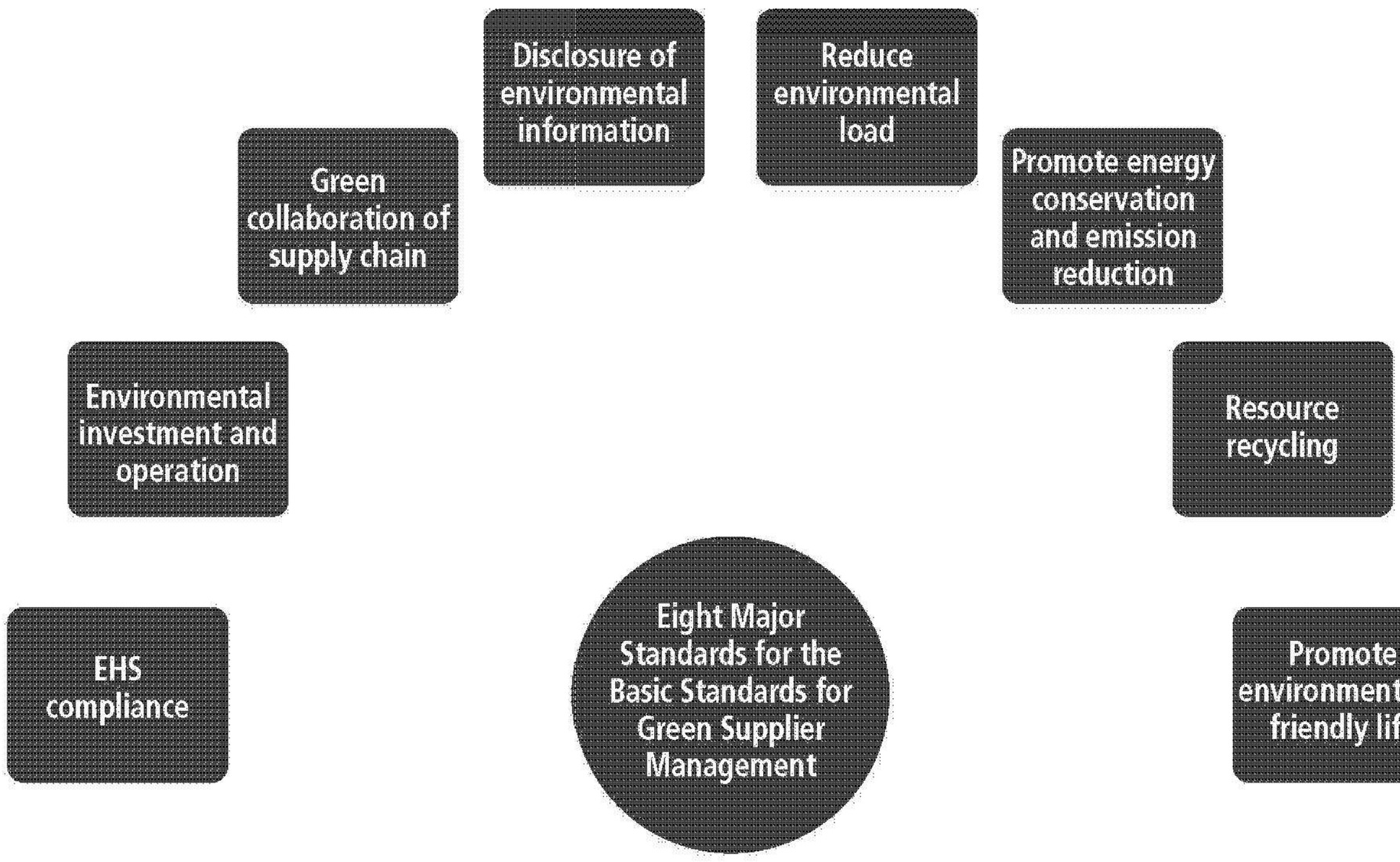
For suppliers who violate the Code of Conduct of Suppliers, the Group has set different punishment measures according to the degree of violation. Suppliers with serious circumstances will be permanently banned from cooperating with the Group. With the joint efforts of the Group and suppliers, during the Reporting Period, the Group dealt with a total of 41 violations by suppliers, representing a decrease of 67.46% compared with the previous year.

4.2.2 Green Supply Chain

In order to promote the green supply chain construction and realize sustainable procurement, the Group takes the suppliers' environmental performance into consideration and management. In the Supplier Code of Conduct, the Group explicitly requires suppliers to reduce waste emissions, and also assists them to set waste emissions reduction assessment goal in combination with their actual conditions, so as to reduce the entire value chain impact on the natural environment. In addition, we continuously evaluate the suppliers' effectiveness in water saving, and explicitly require suppliers to reduce wastewater discharge and make effective use of resources during operation.

The Company and each of its subsidiaries regularly conduct on-site audit on the green supply chain to their suppliers, and grade their suppliers based on the audit results, so as to better identify and manage environmental risks in each link of the supply chain. In respect of non-compliance behaviors, each subsidiary will communicate with supplier on the rectification proposal and follow up subsequent improvement on a continuous basis. During the Reporting Period, the Group carried out a total of 434 audits on green supply chain, a total of 23 audits on green supply chain to major suppliers, and implemented audits on green supply chain to 11 raw material and 8 packaging material suppliers.

Meanwhile, the Company also continued to deepen the green supply chain project of "Green Fosun" in conjunction with its subsidiaries and upstream and downstream suppliers, and continued to convey the positive enterprise development concept. The main goal of this project is to strengthen the suppliers' EHS autonomy, and to build a healthier industry supply chain ecosystem by improving suppliers' EHS performance. The Group took the Basic Standards for Green Supplier Management as the main project management document, defined eight main green supply chain guidelines, and signed the Proposal of Green Supply Chain with subsidiaries and suppliers, promoting the continuous development of the industry supply chain towards a more sustainable and greener direction.



5. FOCUSING ON TALENT

The Group has always advocated the talent value of "Attracting Talents through Development, Building Our Team through a Common Cause, Training Talents through Their Works, and Evaluating Talents through Their Performance", and firmly believed that talents are the fundamental driving force for the long-term operation and sustainable development of enterprises. We fully respect the legitimate rights and interests of every employee, provide a platform for growth and development of talents, encourage diversified development of employees, create a healthy and safe working environment, and work hard to jointly create a positive and warm working atmosphere, so that the Group and employees together step towards a broader future.

5.1 Diversity and Equal Opportunity

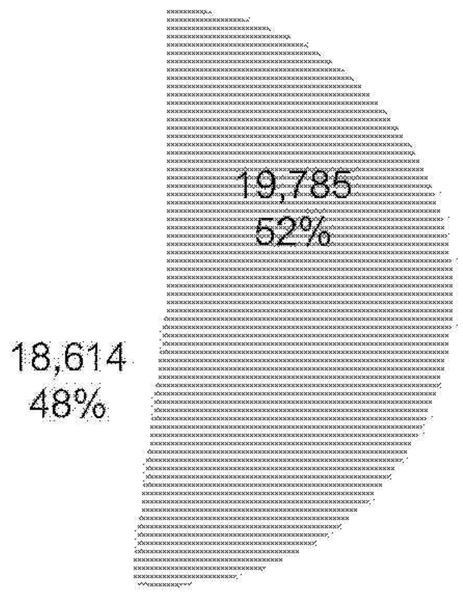
5.1.1 Employment Management

The Group strictly abides by the Declaration on Fundamental Principles and Rights at Work of the International Labor Organization and the laws and regulations of the countries or regions where the its business operates, and establishes a scientific and standardized recruitment system to ensure an open, just and fair recruitment process. The Group respects human rights, strictly eliminates child labor or any form of forced labor, and respects employees' political rights and freedom of association. We have also established a comprehensive human rights policy monitoring mechanism to ensure that the policy is effectively implemented. During the Reporting Period, we did not experience any violations in respect of child labor or forced labor.

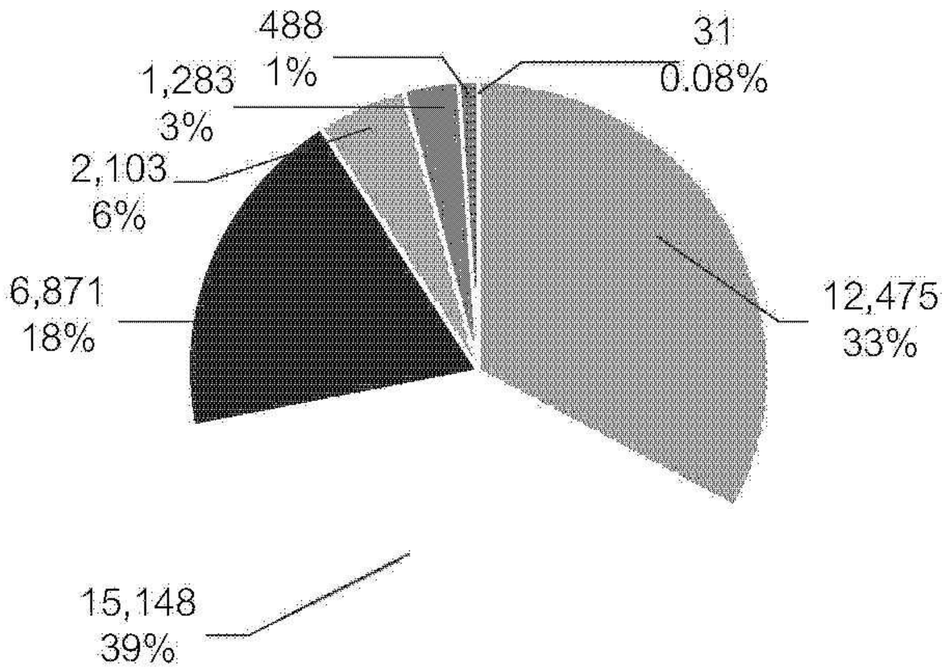
The Group's enterprise development is inseparable from diversified talents, and our employees are distributed in multiple countries and regions around the world. In order to implement an equal and diversified recruitment and training system, the Group issued the "*Employee Diversity Policy*" during the Reporting Period. The Group implemented policy under the management guidance and supervision, and carried out relevant multicultural construction, which clearly encourages equality and diversity, protects employees from the impact of nationality, race, ethnic group, religious belief, gender, disability, marital status, sexual orientation, gender identity or other legally protected status in job hunting, salary and promotion, ensures equal pay for equal work, prohibits all forms of discrimination and workplace harassment, and strives to establish and maintain a diversified and inclusive working environment. The Group organizes diversity training covering all subsidiaries at least once a year, so that employees can know, master and abide by the relevant diversity principles.

As of 31 December 2022, the Group had a total of 38,399 employees[22], including 6,426 overseas employees, 89 disabled employees and 2,107 ethnic minority employees. The specific categories are as follows:

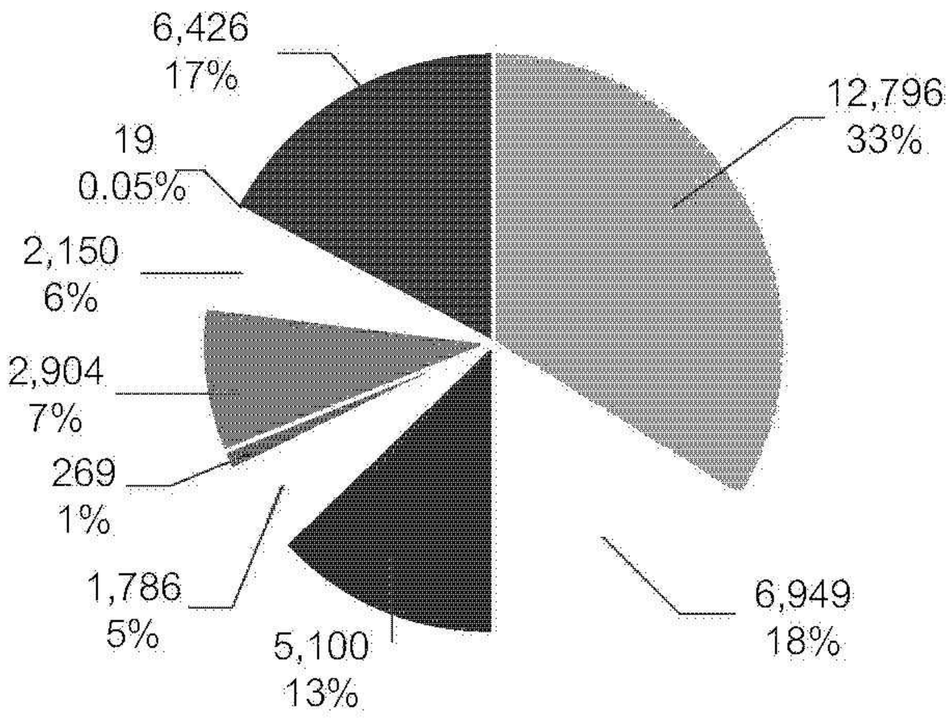
Total number of employees by gender (people,%)



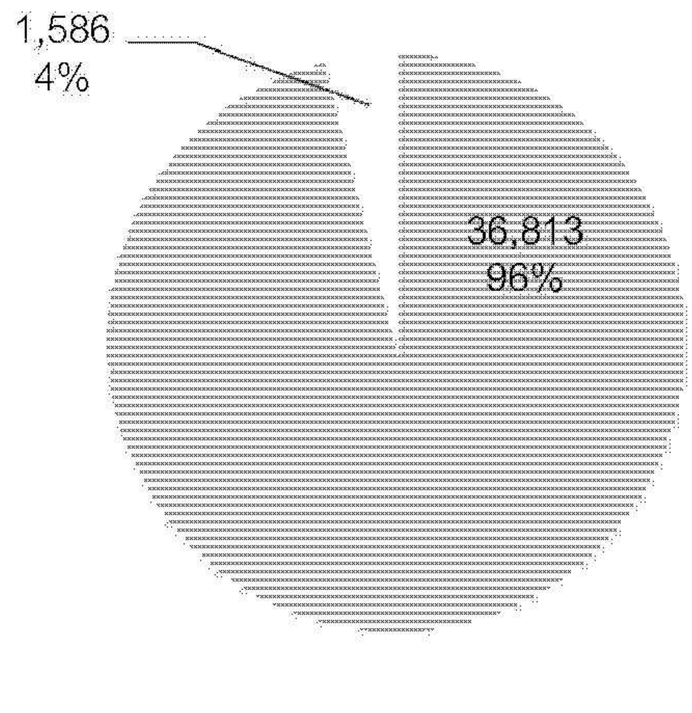
Total number of employees by age (people,%)



Total number of employees by region (people,%)



Total number of employees by types of employment (people,%)



[22] Employment of minors aged 16 to 18 strictly implements the relevant national and regional regulations on the protection of minors.

5.1.2Caring Employees

The Group actively creates a warm, harmonious, equal and caring working atmosphere, and enhances employee cohesion and sense of belonging by providing a sound employee welfare and caring system and carrying out various employee activities. We strictly abide by the requirements of relevant laws and regulations in the areas in which we operate and provide all statutory benefits for employees, including but not limited to social insurance, statutory holidays, paid vacations, etc. On this basis, we have also improved the internal special welfare projects, providing a wide range of non-salary benefits for all employees, such as flexible office, transportation subsidies, supplementary insurance, etc., to provide all-round protection for employees' rights and interests.

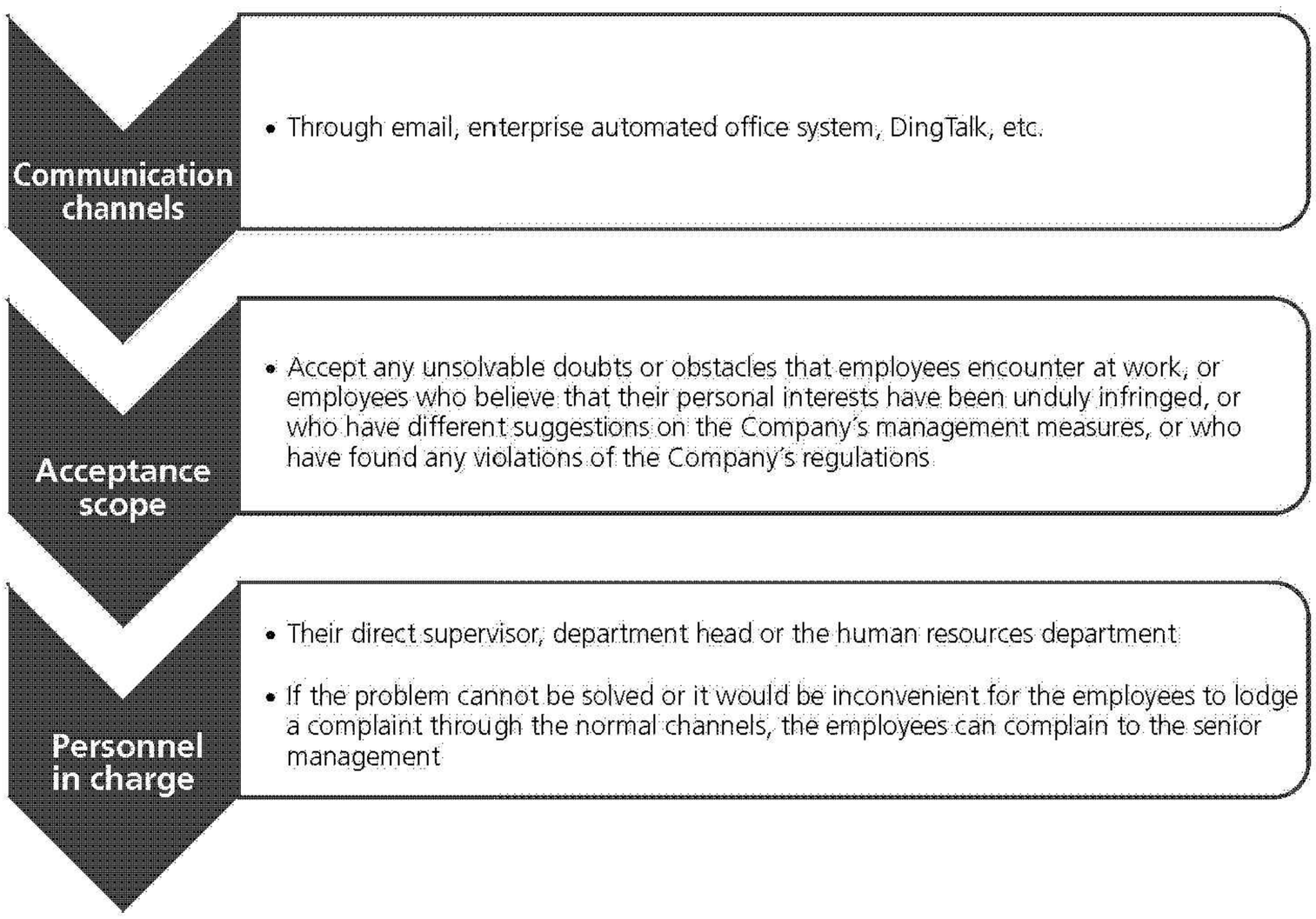
Statutory benefits	Internal special benefits
Holidays: • Public holiday or holiday benefits • Statutory holidays, such as paid leave, marriage leave, pregnancy leave, maternity leave, breastfeeding leave, paternity leave, personal leave, etc. **Insurance:** • Social insurance, including basic pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund **Other statutory benefits**	**Additional insurance:** • Personal accident insurance, critical illness insurance, traffic accident insurance, additional medical insurance, etc. **Allowance:** • Transportation allowance, communication allowance, lunch subsidies and high-temperature benefits **Other welfare expenses:** • Single child allowance, physical examination fee, team-building fee, funeral fee **Childcare related benefits:** • Nursery **Flexible office:** • Flexible hours, work from home/remote working **Other benefits:** • Supplementary provident fund, health consultation, care for retirees, assistance for needy employees, etc.

5.1.3Communications with Employees

The Group places heavy emphasis on the opinions and rights of employees. Through the establishment of smooth communication channels, the establishment of labor unions and the conduct of professional engagement surveys, the employees' rights to participate and express are fully guaranteed, and a bridge of communication between employees and management is established. We clearly stated in the Employee Handbook that the heads of various departments, the personnel of the human resources department and the senior management of the Group will provide assistance to employees in terms of job satisfaction improvement, labor security, career planning and work complaints.

Complaint channels

The Group has established a smooth employee communication and complaint channel to ensure the confidentiality of personal and complaint documents, and has improved the employee complaint mechanism and complaint process by setting up a disciplinary committee and a secretariat to encourage more employees to actively speak out and participate in the business development of the Company with practical actions. At the same time, we fully protect the reasonable demands and legitimate rights and interests of complainants, and have formulated corresponding confidentiality mechanisms and protective measures against retaliation to protect employees' right of speech.



Employee Complaint Mechanism

Communications through Labor Union

We regard the labor union as the communication hub between the management and employees. All employees of the Group have the right to join and organize labor unions and negotiate collective contracts in accordance with the law. During the Reporting Period, in order to further improve the labor union organization, the Company convened the second member representative meeting and employee representative meeting of the third session of the labor union, and elected to add one vice chairman of the labor union, three labor union committee members and one review committee member to ensure the orderly and standardized operation of the labor union's various tasks.

Employee satisfaction

The Group places great importance on employee satisfaction and is committed to creating a satisfactory working atmosphere for employees. In order to clarify the direction of organizational construction, since 2022, we have required all subsidiaries to conduct annual satisfaction surveys which linked to key performance indicators of the management.

The employee satisfaction and engagement survey cover all employees of the Group. The engagement survey comprehensively demonstrates the core strengths and key improvement directions of the Group's organizational management from the six dimensions of organizational environment, management style, job responsibilities, salary performance, career development and professional performance. Based on the feedback and suggestions offered by the employees, the Human Resources Department of the headquarters organizes discussions in a timely manner, carries out optimization around key aspects, and formulates an employee management plan and satisfaction improvement plan for the next year to create a better working environment for employees.

5.2 Development of Human Capital

Talent-led development is the foundation of a strong enterprise that we always adhere to. The Group advocates the corporate talent management strategy of "pursuing a high degree of harmony and unity between personal success and corporate development", which highly integrates corporate growth and personal value enhancement. We are committed to the echelon construction and training plan of the core teams, formulate and implement a training system centered on team development and training, and implement flexible welfare policies and a complete incentive system to continuously cultivate, attract and retain global top talents with excellent performance and high potential.

5.2.1 Diversified Recruitment

The Group strives to build a high-potential talent pool, attracting outstanding talents through various channels, and injecting a steady stream of new blood into the development of the Group. We continue to promote the development strategy of talent channels, and actively develop new talent pools by predicting the recruitment needs and talent gaps of various departments on an annual basis. During the Reporting Period, we have launched a number of distinctive and attractive recruitment projects, and attracted more outstanding talents to join us through cooperation with universities and subsidiaries:

Functional management trainee Star YAO Plan

- Including finance, human resources, IT, operational quality, lean management, supply chain, EHS and other functions. The project targets all fresh graduates (bachelor, master, doctoral), provides cross-enterprise and cross-functional job rotation training opportunities and fast promotion channels within 3 years, and aims at cultivating backbone and young management for the Group.

Investment management trainee Long-term Development Program

- Targeting fresh doctoral graduates majoring in biomedicine from top universities. The trainees will be taught and trained by an internal experienced investment team, aiming to strengthen the investment talent pool within the organization and cultivate high-performing and high-potential candidates as future successor.

Summer intern Super Star Creation Camp

- Preparing for the autumn campus recruitment "Star YAO Plan", provides practical opportunities for student representatives from top universities. Interns with excellent performance have the opportunity to directly join the Group. In this way, we can screen and nurture outstanding talents in advance.

Internal talent mobility Star Transfer Plan

- Encouraging employees to transfer jobs across departments, functions, and companies between the headquarters and subsidiaries, so as to help employees find a more suitable orientation and career development direction. Enterprises can also cultivate all-round, multi-skilled and adaptable management talents.

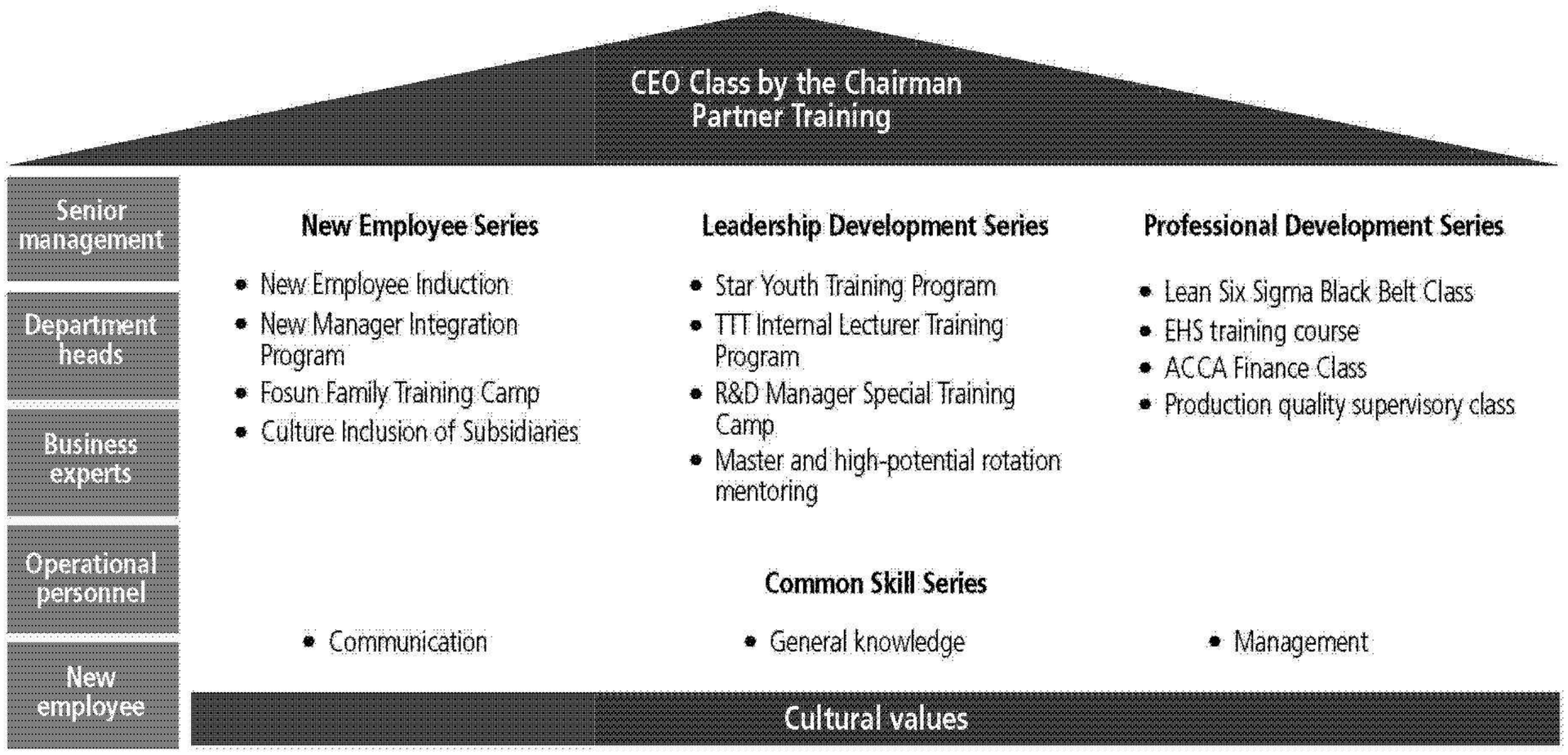
Customized personnel training Joint training plan

- Fosun Pharma, together with its subsidiaries, entering into a joint training program for professional master degree with China Pharmaceutical University and Shenyang Pharmaceutical University to fully utilize the advantages of all parties in teaching, scientific research, and personnel training, deepening the integration of production and education, promoting "customized personnel trainning", and providing talent and technical support for the development of China's biomedical industry.

Fosun Pharma's Recruitment Programs

5.2.2Talent Training

The Group regards employee development as the core of the enterprise, continuously launching training activities and improving relevant training systems. By carrying out four series of training programs, namely "New Employee Series", "Leadership Development Series", "Professional Development Series" and "Common Skill Series", we provide employees with a comprehensive platform for improving their capabilities and skills, helping employees establish the concept and habit of life-long learning.



New Employee Series

- We provide a 3-month training tracking program for each new employee of the Group, including corporate culture promotion, human resource policy introduction, executive luncheon, panel sharing activities, etc., to help newcomers integrate into the Group as a big family better and faster. In 2022, in addition to the "Fosun Pharma Military-style Training Summer Camp" for fresh graduates, we also continued to provide immersive training activities for new employees.

Leadership Development Series

- The Group attaches great importance to leadership development of employees, and provides pertinent management and leadership programs for employees with certain experience, as well as senior management personnel and key talents, and has formed a partner training mechanism.
- In 2022, we expanded the scope of management training, organized leadership programs for the management of our subsidiaries, and refined knowledge and skills through internal lecturer training to further foster a culture of learning.
- For high-potential management trainees who have just entered the Company for 1-2 years, the Group launched a series of basic leadership training and team activities to help employees improve their leadership.
- In addition, we have formulated succession plans at all levels, such as the management trainee project, to get well prepared for talent pipeline.

Professional Development Series

- The Group is committed to creating a "reservoir" of high-level talents in various fields. The headquarters and subsidiaries work together to provide training in quality, lean management, finance, investment, financing and other directions according to the characteristics of the trainees' abilities, to help high-potential talents identify their development positioning and develop in a targeted manner.
- In 2022, our ongoing "ACCA High Potential Finance Class" has become one of the important ways for the Group to cultivate leaders in key business lines.

Common Skill Series

- The Group continues to improve the common skills training for all employees, assisting employees to improve their professional skills, and realizing the organic alignment between employee growth and corporate needs.
- We holds a "Lunch Sharing Session" monthly, at which senior executives of the Company, top leaders of member companies and external professionals are invited to share corporate strategies, best practices, hot topics, etc. In 2022, we continued to promote a variety of common skill training series such as the FoTED internal lecturer program and cheering stations, providing professional and refined training, applying the knowledge learned in work, and helping employees improve their personal soft skills, broadening their horizons, and increasing their knowledge.

Fosun Pharma Training and Development System

The Group attaches great importance to the construction of talent teams and the professional growth of employees. In order to equip employees with the latest skill set, we have established a corporate university, Fosun Talent Development Center, which provides "four platforms": the headquarters leadership and functional training platform, platform of professional skills training base for member companies, platform for the inheritance of knowledge and experience, and platform for dissemination of cultural concepts, helps employees learn from working and grow from learning through effective resource integration, to boost the Company's continuous development.

Wanbang Pharma: Optimize the T24 Teaching Operation System

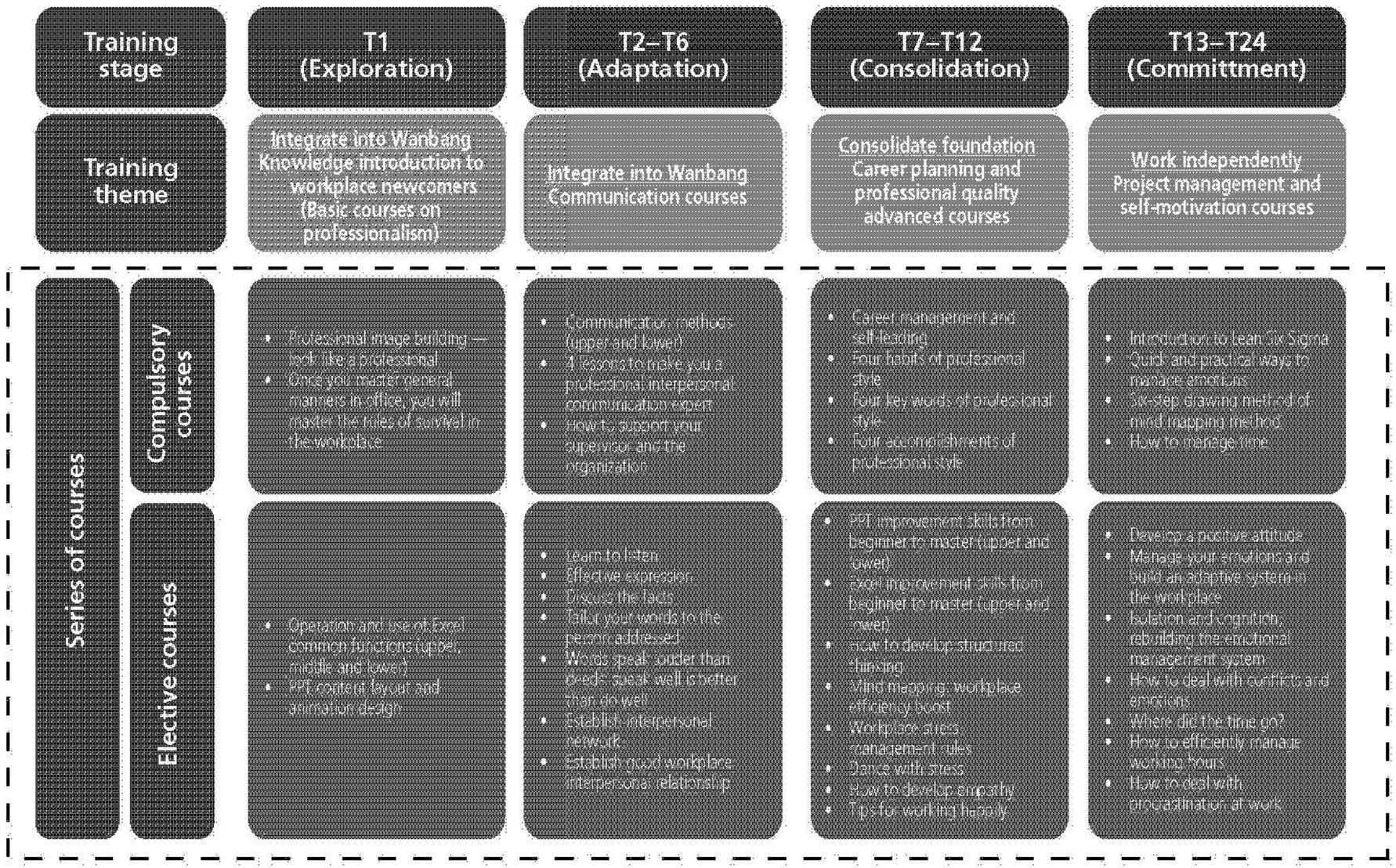
In 2022, Wanbang Pharma launched the project of optimizing the "T24 Teaching Operation System" to help new graduates (T24 in Wanbang Pharma training system, or T24) to quickly understand and adapt to the Group culture and improve their abilities in more dimensions. Wanbang Pharma collates and outputs a complete, reproducible operation system based on the previous T24 teaching experience and achievements, and forms four T24 teaching system operation closed-loop lines from the dimensions of project requirements, core competence and cultural values, including:

1. Curriculum system line: establish T24 online learning growth path based on the learning platform.

2. Continuous journey helping line: conduct offline design, cultivation and selection of theme activities and training to provide T24 with the staged knowledge and energy needed for continuous journey in the workplace.

3. Tutor empowerment line: Each T2 is assigned to a tutor to help empower and grow, and effectively evaluate the teaching results.

4. Achievement evaluation line: deliver visual talent inventory achievement data through training and observation in each stage.

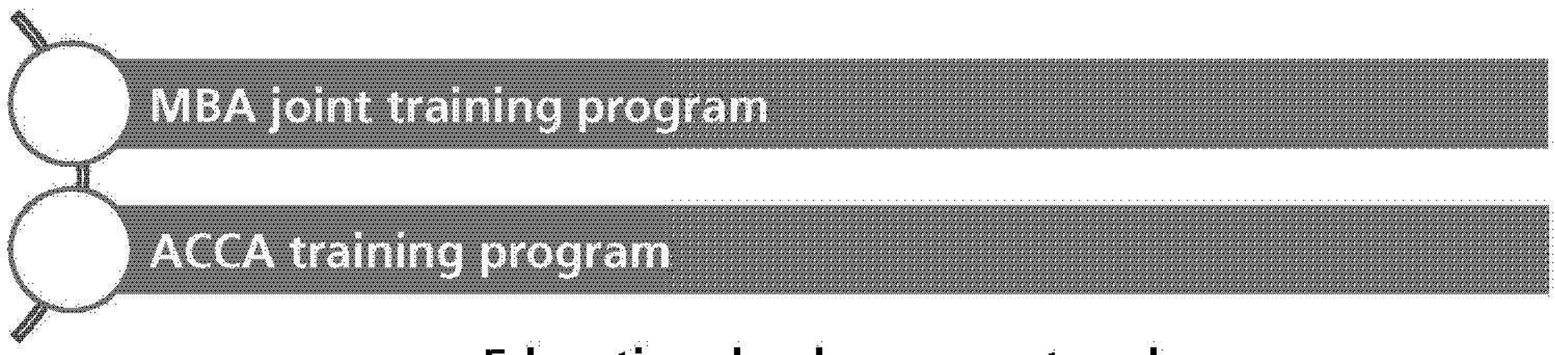


Curriculum Overview



Training for new employees

The Group encourages employees to actively develop themselves and improve their professional skills. We have set up education improvement and vocational qualification certification programs, which are open to all employees, and encourage employees to improve their professional capabilities and achieve self-growth with practical actions.



Educational enhancement and vocational qualification certification programs

The Group's training[23] during the Reporting Period is as follows:

Indicators	Unit	2022
Total training expenses	RMB10,000	985
Average training hours per person	Hour	49.5
Percentage of employees trained	%	72%
By gender		
Percentage of male employees trained	%	81%
Percentage of female employees trained	%	63%
Average training hours per male employee	Hour	43.9
Average training hours per female employee	Hour	57.2
By employment level		
Percentage of senior management trained	%	81%
Percentage of employees trained except senior management	%	72%
Average training hours per senior management	Hour	18,695
Average training hours per employee except senior management	Hour	1,358,624

[23] Including domestic and overseas regions.

5.2.3 Talent Incentive

The Group is willing to share benefits with all employees who create values. We are committed to improving the multi-dimensional performance appraisal mechanism for employees and taking a sound and long-term incentive mechanism as an important initiative to improve corporate governance, motivate employees and achieve stable corporate development.

Performance and remuneration

With the consistent implementation of the talent management concept of "assessment by performance", we have established a comprehensive individual performance management and assessment system to ensure that each employee has a fair and just opportunity for promotion. The design, execution, results and improvement of the performance management system of the Group are all centered on comprehensively and objectively evaluating the comprehensive performance of employees, as well as improving the matching among employees' quality, capability, performance and functional requirements, so as to promote the mutual and sustainable development of employees and enterprises.

In order to provide better guidance on career development for employees, the Group regularly conducts employee performance appraisals every year, and has set up a 360-degree competence evaluation mechanism to evaluate employees in terms of learning ability, leadership, execution, knowledge and experience, and comprehensive evaluation, and direct supervisors, other colleagues, and direct subordinates provide employees with multi-faceted feedback and evaluation. For the results of performance appraisal, we will carry out normal distribution by department, set evaluation cycle goals, and formulate development plans and improvement plans with personal characteristics for employees, so that employees can improve their performance and capabilities in a targeted manner. In 2022, we continued to implement the OKR management model for important functional lines, linking team and individual goals and activities to achieve the strategic mission of the Group.

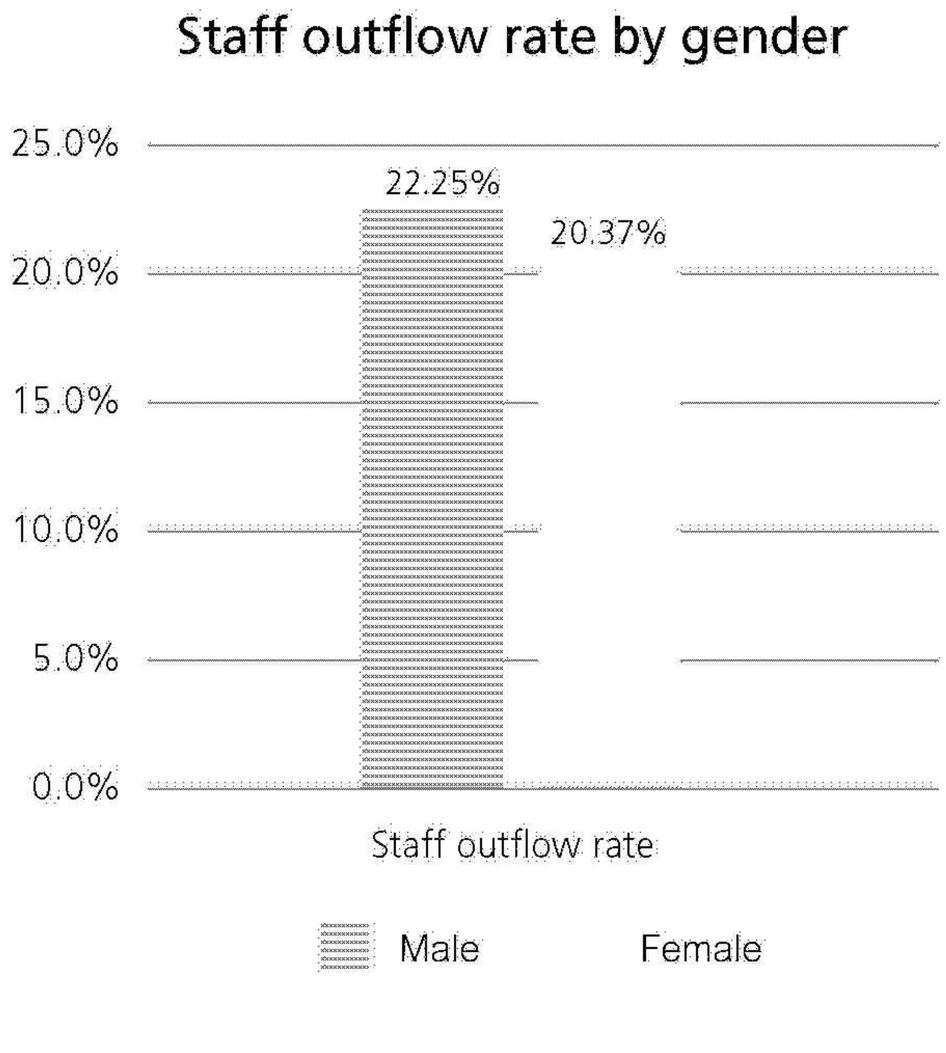
In addition, we provide fair, secure and incentive remuneration for all employees (including non-office employees and non-sales employees), in which incentive remuneration is linked to individual work performance, so as to encourage employees to improve their competence and work performance, thereby helping the Group improve its efficiency.

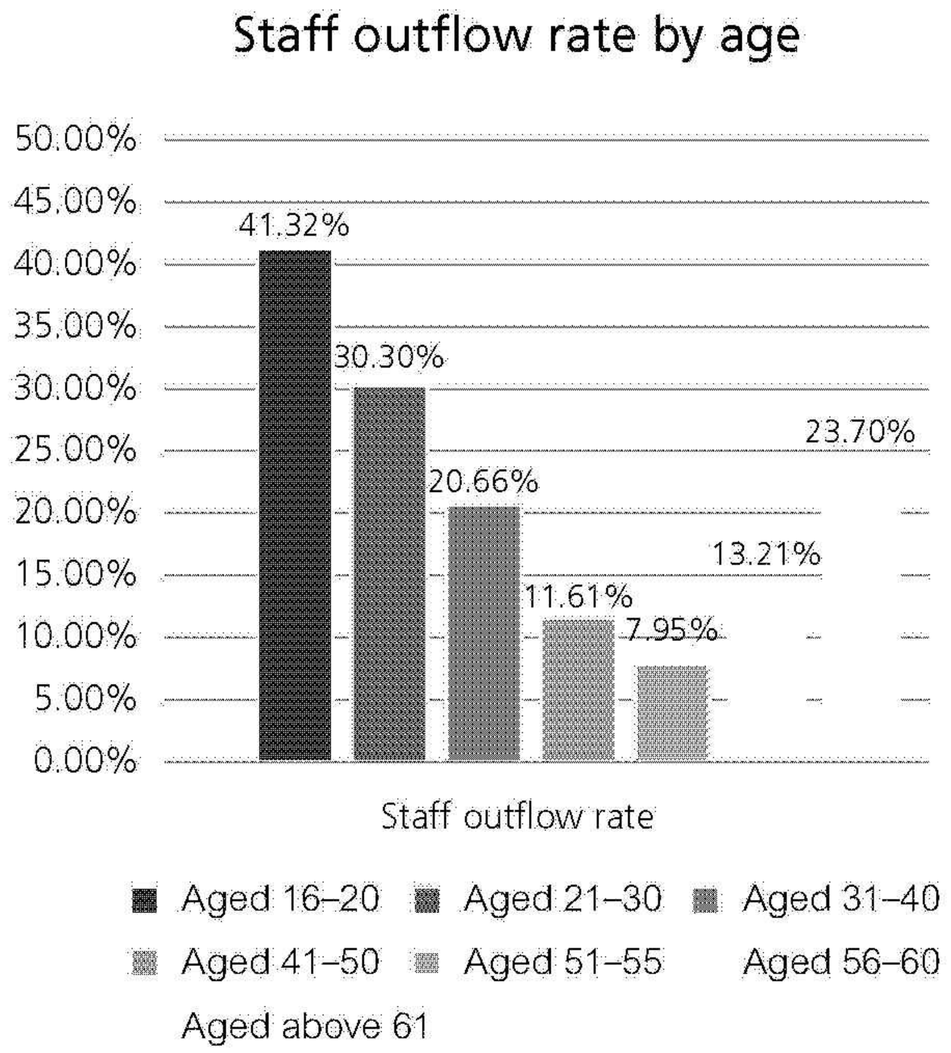
Equity incentive

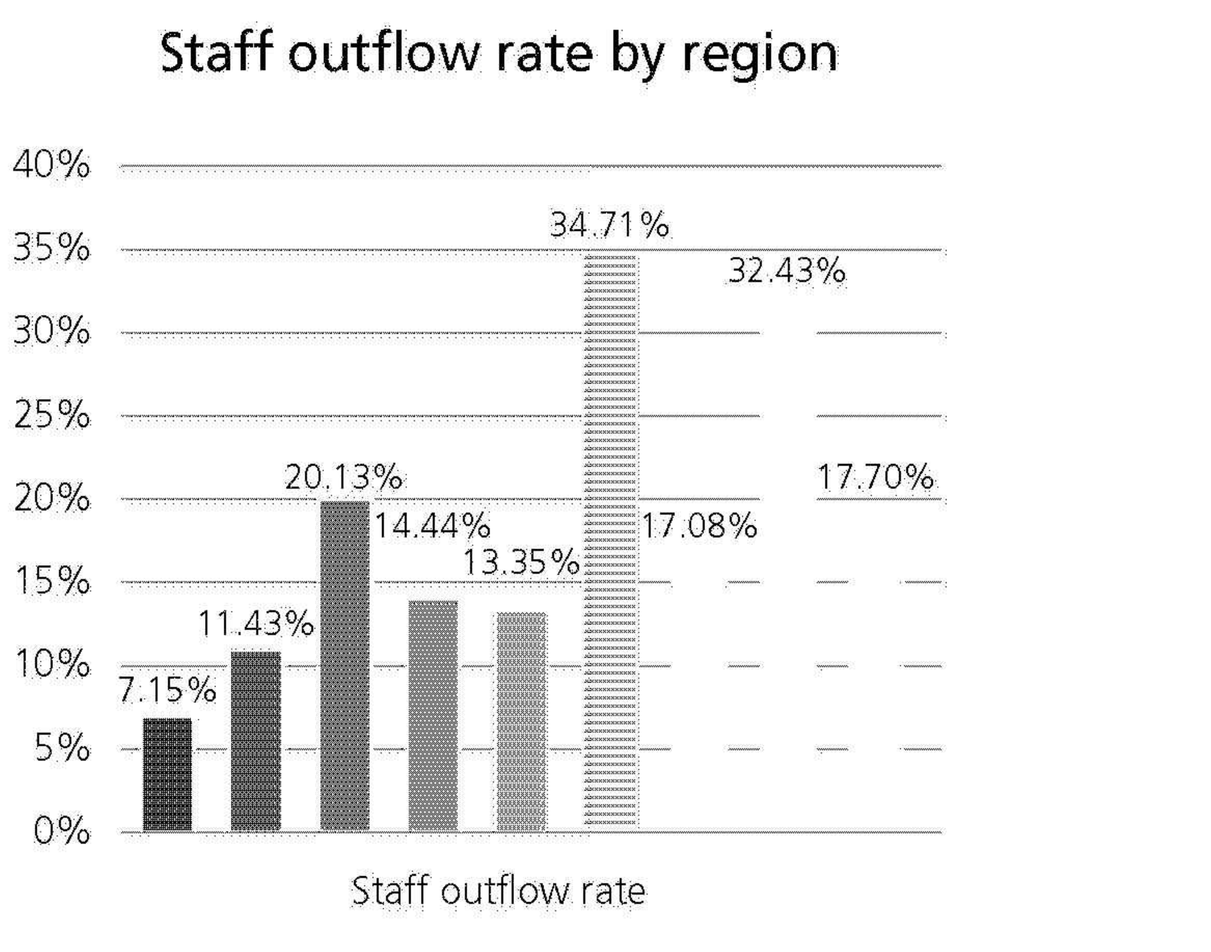
In order to reward employees for their outstanding contributions and retain outstanding talents, the Group has established a framework for a long-term incentive system, including the "Long-term Incentive Plan for Management of Subsidiaries", "Restricted Stock Incentive Plan", "R&D System Incentive Plan", "Incentive Plan for Strategic Investment Items", "Incentive Plan for Pre-IPO Investment Items", etc.

2022 Incentive Plan
In 2022, the Company adopted and implemented the 2022 Restricted A Share Incentive Plan and the 2022 H Share Employee Share Ownership Scheme. The incentive participants were the executive Directors and senior management personnel of the Company, the mid-level management personnel and core technology (business) personnel of the Group, and other core personnel having made a direct contribution to the overall business performance and sustainable development of the Group as determined by the Board. During the Reporting Period, 126 incentive participants have been granted.

In order to achieve the management objectives of motivating and retaining talents and ensure the strategic support for business development, we continue to improve our long-term incentive system. After long-term management practices, the remuneration and incentive system of the Group has fully covered the headquarters and all subsidiaries, effectively supporting investment and operation strategies, and promoting the achievement of long-term performance goals at all levels. During the Reporting Period, the employee turnover rate of the Group was 15.95%[24].







[24] Turnover rate = number of employees who voluntarily leave the company *2/(total number of people at the beginning of the period + end of the period)
Outflow rate = number of all resigned employees*2/(total number of people at the beginning of the period + end of the period)

5.3 Occupational Health and Safety

5.3.1 Safety Management

In order to ensure the safety of employees at work, the Group adheres to the principle of "safety first, prevention-foremost, comprehensive treatment", actively fulfills its safety production responsibility, and establishes the mechanism featuring enterprise accountability and employee participation. We strictly abide by national and local laws, regulations, rules and normative standards related to production safety, and have established comprehensive production safety rules and regulations and set safety management goals to guarantee the safety of employees in production activities in all aspects.

Safety Management Goals		
Zero occupational death and zero major injury incident	Maintain an annual lost time injury rate in 2021–2025 at 0.3 and below	Recordable incident rate in 2025 decrease by 10% as compared to 2020, i.e. 0.447

The Group adopts safety management measures in the front line. We performed risk assessment and identified major risk sources, established SOP and emergency response system, regularly carried out potential hazard investigation and management, and conducted safety knowledge training for all employees, in order to promote the construction of safety culture and improve the level of safety production. We use the lost time injury rate and recordable incident rate in 2016 as the benchmark to conduct statistics and comparisons on the annual safety accident indicators.

In the past three years (covering the Reporting Period), the Group had not had any work-related death. In 2022, the Group had 245 lost days due to work-related injuries, and the lost time injury rate per million working hours was 0.101, and the recordable incident rate was 0.202, successfully achieving our safety goal.

5.3.2 Employee Health

The Group is committed to providing employees with a healthy and comfortable working environment to protect their occupational safety and physical and mental health. We strictly abide by national and local laws and regulations on occupational health, proactively fulfill the occupational health responsibilities, establishes the responsibility management system for the occupational disease prevention of all employees, strictly avoid the adverse effects of occupational disease hazards in the work process, and protect the occupational health of employees.

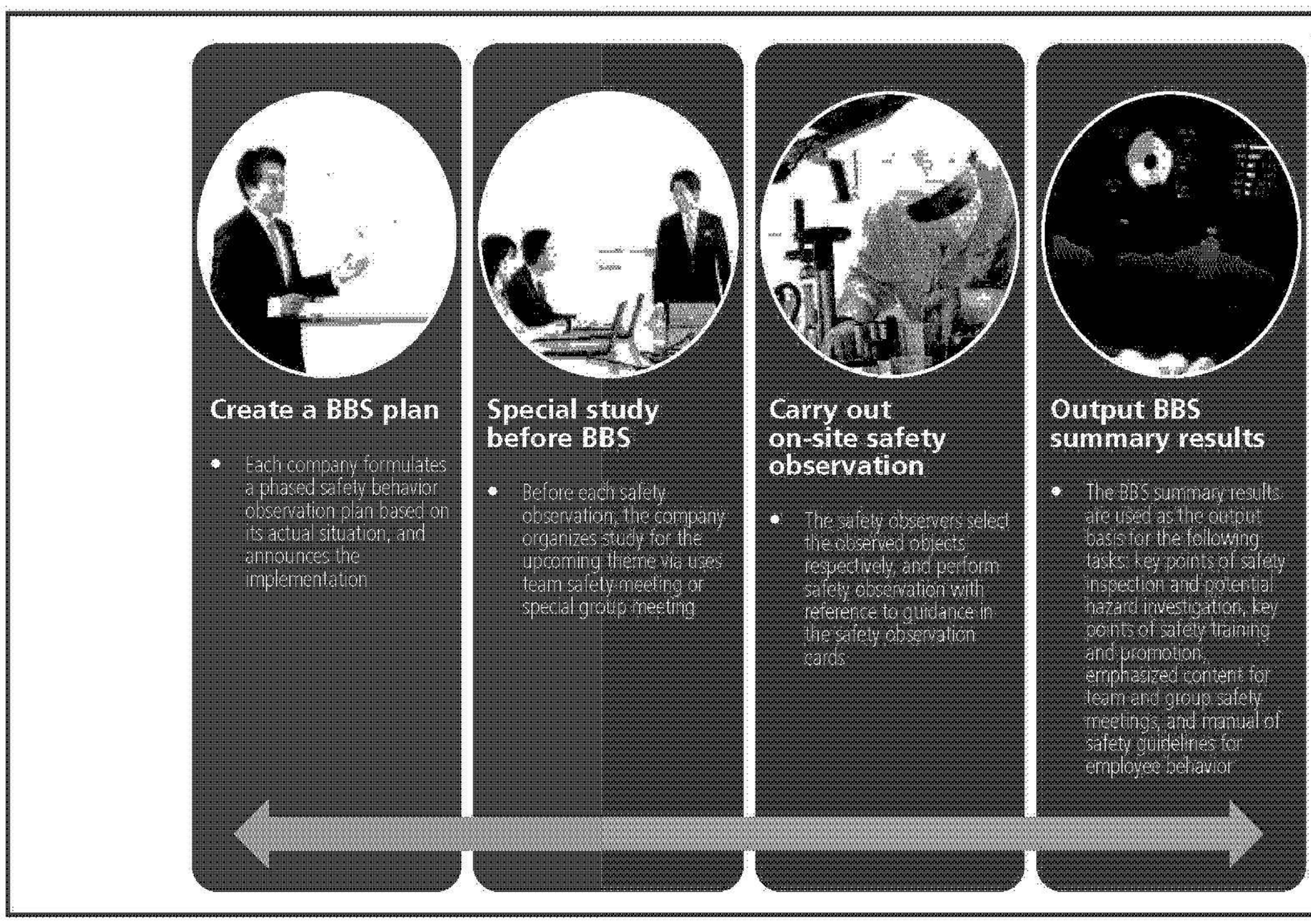
The Group implements occupational health risk warnings, individual protection, on-site supervision and sampling, and employee health examination in daily supervision, in order to realize the closed-loop management of occupational health. Meanwhile, we strictly abide by the provisions of the "Three Simultaneousness" management of occupational disease prevention facilities for construction projects, conduct risk evaluation for toxic and harmful positions, regularly arrange occupational health examinations for employees in daily work and in contact with occupational hazards, strengthen the provision of protective facilities and articles for occupational health, and improve warning signs for occupational disease hazards.

Employee behavior-based safety activity

In 2022, we continued to promote employee behavior-based safety (BBS) activity to further increase employee participation. This behavior-based safety activity continued to focus on seven high-risk operation activities, such as climbing work, hot work, mechanical protection, electrical safety, heavy lifting, confined space and process explosion-proof safety, aiming at guiding employees to find and stop unsafe behaviors and change unsafe conditions. The activity produced more than 600 behavior-based safety cards, and the number of accidents caused by employees' unsafe behaviors has also been decreasing.

This activity helps employees to gradually establish the awareness of on-site behavior safety, form correct directional behavior habits, avoid and eliminate unsafe behaviors, thus reducing the on-site accident probability and enhancing all employees' awareness in safety work participation.





Fire training and drills

In 2022, a number of affiliated companies carried out fire training and drills, including PPE wearing, fire extinguisher use, escape methods and other related contents, in order to consolidate and enhance employees' fire emergency and escape capabilities. Among them, Red Flag Pharma, together with the local fire protection association, carried out an "escape tent" fire evacuation drill. A labyrinth partition wall was set in the tent, which could simulate the closed, dark, smoke-filled and barricaded state when the fire broke out, so that employees could experience the real fire environment and master the correct escape methods.



The Group advocates work-life balance. the Head Office Labor Union has offered Tai Chi classes, yoga classes and Pilates classes throughout the year; established more than 10 clubs including dancing, running group and basketball to promote the physical and mental health of employees while enriching their spare time. Meanwhile, we have strengthened the management of employee gym, ping pong room, basketball court and tennis court, and updated health facilities and equipment, and the fitness center has also been officially put into operation, for the convenience of health exercise of employees in their spare time.

6. COMMUNITY CARE

Keeping its mission of public welfare in mind, the Group upholds the welfare idea of "talents and product sustainable development", and makes full use of its own resources and technical advantages to push ahead patient-oriented public welfare projects to strive to achieve the welfare goal of "Innovation for Good Health". Meanwhile, we tap into community development, participate in rural medical construction, and support the development of medical education, with an aim to give back to the society with a sense of responsibility, and contribute to the promotion of sustainable social development.

6.1 Care for Health

As a global corporate citizen, the Group has always been committed to benefiting patients around the world with its own medical resources and new drug research and development. We continue to contribute to the building of a global health community through our various charity activities.

In order to help build a healthy China and better provide health services for family customers, the Group set up "Fosun Love 121 (星愛121)" Special Fund together with Shanghai Fosun Foundation, with the three major directions of Care for Health, Technology Innovation, Charitable Donation, and is committed to helping people overcome illness by providing all-round full cycle health management services for family clients focusing on the unmet medical needs. In 2022, the Group made a total donation of RMB60.31 million.

Supported fighting malaria to build a malaria-free world

On 25 April 2022, the World Malaria Day, the China International Development Cooperation Agency, the National Health Commission and National Administration of Traditional Chinese Medicine jointly hosted the "International Forum on the 50th Anniversary of Artemisinin and Helping to Build a Healthy Community for Human Beings". The Group participated in the supporting exhibition with the independently developed series of innovative Artemisinin products and the Africa malaria aid achievements, which became a business card for China's innovative drugs across the globe.

As the first China pharmaceutical brand widely recognized in Africa, the Group had supplied more than 280 million Artesun® for injection to the international market by the end of 2022, helping more than 56 million severe malaria patients around the world regain their health.

In August 2022, the subsidiary Guilin Pharma received the news from Guangxi Food and Drug Administration that a group of migrant workers in Africa were diagnosed with malaria in Hong Kong when they returned to mainland China via Hong Kong, and many of them were critically ill. After receiving the news, Guilin Pharma quickly contacted the Hospital Authority of Hong Kong, and urgently deployed and sent 3,000 Artesun® for injection to Hong Kong for timely help.



Fosun Pharma supported the construction of the Shanghai Medical College of Fudan University History Museum

In October 2022, Fosun Pharma donated RMB5 million through Shanghai Fosun Foundation to Shanghai Medical College of Fudan University on its 95th anniversary for the construction of the Shanghai Medical College of Fudan University History Museum under the Shanghai Medical College Cultural Center project, which encouraged students to be brave in innovation, actively explore and forge ahead, and make greater contributions to the national medical education and health care. Meanwhile, the Company helped cultivate innovative talents in colleges and universities, and encourages the continuous talent development of China pharmaceutical industry.

6.2 Rural Village Revitalization

Since its establishment, the Group has been actively engaged in rural revitalization, constantly improving the rural medical care level with our specialties and resources, and contributing to the healthy society development.

"Hand in Hand" rural medical talent revitalization plan

In order to promote rural revitalization, the "Fosun Love 121" Special Fund took the vast number of rural doctors as the caring target group and launched the "Hand in Hand" rural medical talent revitalization plan. The plan aims to help rural doctors learn the diagnosis and health management knowledge with both online and offline ways, and get timely and effective diagnosis and treatment answers. In 2022, the Group launched a series of programs of "Famous Doctor Lectures"—"Diagnosis and Treatment Pocket Book for Rural Doctors". This series of programs focuses on the key diseases chapters in the Pocket Book, shares the knowledge that rural doctors are concerned about, and conducts exchange and dialogue with online rural doctor representatives. We invited 12 senior professors and experts and 11 rural doctor representatives who took root in the grass-roots units to visit the live broadcast room, exchanging and discussing common diseases in rural areas, such as cardiovascular disease, endocrine disease and osteoporosis, answering questions for rural doctors and making suggestions for rural medical work.



Joined hands with Shanghai Soong Ching Ling Foundation on public welfare cooperation

In order to thoroughly implement the national health and wellness policy of "focusing on the grassroots" and the requirements of the rural revitalization strategy "rural construction action", the Group started strategic cooperation in November 2022 with Shanghai Soong Ching Ling Foundation to jointly carry out related medical and health public welfare projects, with women as the main service targets and beneficiaries, and Xishuang Banna, Yunnan Province, one of the paired-up assistance areas of Shanghai, as the main public welfare project implementation place. The Group is committed to promoting the high-quality grassroots health work development through the implementation of public welfare projects.



Biographical Details of Directors, Supervisors and Senior Management

DIRECTORS

Mr. Wu Yifang (吳以芳), aged 53, was appointed as an executive Director of the Company in August 2016, the chairman of the Company in October 2020. Mr. Wu joined the Group in April 2004. Mr. Wu was the Company's senior vice president, chief operating officer and president. Mr. Wu was also the chief executive officer of the Company from June 2016 to June 2022. Mr. Wu is currently a non-executive director of a company listed on the Hong Kong Stock Exchange, namely Sisram Medical (stock code: 01696), a non-executive director of Shanghai Henlius (stock code: 02696), a company listed on the Hong Kong Stock Exchange. Mr. Wu was the chairman of the supervisory committee of Sinopharm (stock code: 01099), a company listed on the Hong Kong Stock Exchange. From October 2020 to August 2022, he was a non-executive director of Gland Pharma (stock code: GLAND), a company listed on the BSE and the NSE. Prior to joining the Group, Mr. Wu was a technician, director, production officer, finance director and assistant to director of Xuzhou Biochemical Pharmaceutical Factory* (徐州生物化學製藥廠), a deputy director of Xuzhou (Wanbang) Biopharmaceuticals Manufactures Plant* (徐州(萬邦)生物化學製藥廠), and the deputy general manager of Xuzhou Wanbang Biochemical Pharmaceutical Co., Ltd.* (徐州萬邦生化製藥有限公司) and Wanbang Pharma (where Xuzhou Biochemical Pharmaceutical Factory* (徐州生物化學製藥廠), Xuzhou (Wanbang) Biopharmaceuticals Manufactures Plant* (徐州(萬邦)生物化學製藥廠) and Xuzhou Wanbang Biochemical Pharmaceutical Co., Ltd.* (徐州萬邦生化製藥有限公司) were predecessors of Wanbang Pharma, a subsidiary of the Company). Mr. Wu is currently an executive member of China Society for Drug Regulation (中國藥品監督管理研究會), a vice chairman of China News of Drug Information Association (中國醫藥新聞信息協會), a vice chairman of China Pharmaceutical Enterprise Association (中國醫藥企業管理協會), a vice chairman of China Pharmaceutical Industry Association (中國化學製藥工業協會), a vice chairman of China Non-prescription Medicines Association (中國非處方藥物協會), a vice chairman of the Shanghai Pharmaceutical Profession Association (上海醫藥行業協會), a vice chairman of the China Association of Enterprises with Foreign Investment (中國外商投資企業協會), and a deputy of the 14th Jiangsu People's Congress. Mr. Wu graduated from Nanjing University of Science and Technology (南京理工大學) majoring in international commerce and obtained a master degree in business administration from Saint Joseph's University.

Mr. Wang Kexin (王可心), aged 58, was appointed as an executive Director of the Company in December 2021. He was appointed as the co-chairman of the Company in June 2022. Mr. Wang joined the Group in June 2010. He served as a vice president and a senior vice president of the Company. He served as the co-president and chief investment officer of the Company from October 2020 to January 2022, and the co-chairman of the Company from January 2022 to June 2022. Since January 2022, Mr. Wang has served as a vice president of Fosun International (stock code: 00656), a company listed on the Hong Kong Stock Exchange. Prior to joining the Group, Mr. Wang served as the deputy general manager of Sea Rainbow Holding Corporation* (海虹控股醫藥電子商務有限公司), the marketing director of Kunming Pharmaceutical Group Corporation Limited* (昆明製藥集團股份有限公司) (stock code: 600422), a company listed on Shanghai Stock Exchange, the general manager of Kunming Pharmaceutical Retail Company Limited* (昆明製藥藥品銷售有限公司), the general manager of Beijing Huali Jiuzhou Medical Company Limited* (北京華立九州醫藥有限公司), the vice president of Chongqing Huali Pharmaceutical Industry Company Limited* (重慶華立藥業股份有限公司) (stock code: 000607), a company formerly listed on the Shenzhen Stock Exchange, and the chairman of Beijing Tianren Hexin Pharmaceutical Company Limited* (北京天仁合信醫藥經營有限責任公司). Mr. Wang is a deputy of the 14th Liaoning People's Congress. Mr. Wang obtained a bachelor degree of medicine from Shenyang Pharmaceutical University (formerly known as Shenyang Pharmaceutical College).

Biographical Details of
Directors, Supervisors and Senior Management

Ms. Guan Xiaohui (關曉暉), aged 51, was appointed as an executive Director of the Company in December 2021 and a vice chairman of the Company in January 2022. Ms. Guan joined the Group in May 2000 and served as the president assistant, general manager of the financial department, chief accountant, vice president and chief accountant, senior vice president and chief financial officer, and has served as the executive president and chief financial officer of the Company during the period from October 2020 to January 2022. Ms. Guan is currently a non-executive director of Shanghai Henlius (stock code: 02696), a company listed on the Hong Kong Stock Exchange, and the chairman of the supervisory committee of Sinopharm (stock code: 01099), a company listed on the Hong Kong Stock Exchange. Since January 2022, she has also served as a vice-president of Fosun International (stock code: 00656), a company listed on the Hong Kong Stock Exchange. Ms. Guan served as a non-executive director of Sinopharm (stock code: 01099), a company listed on the Hong Kong Stock Exchange, and a non-executive director of Gland Pharma (stock code: GLAND), a company listed on the BSE and the NSE from October 2020 to August 2022. Prior to joining the Group, Ms. Guan worked at Jiangxi Branch of Industrial and Commercial Bank of China. Ms. Guan graduated from Jiangxi University of Finance and Economics with a bachelor's degree in economics, and graduated from the Chinese University of Hong Kong with a master's degree of professional accountancy. Ms. Guan has the qualifications of a Chinese Certified Public Accountant (CPA) and is a member of the Association of Chartered Certified Accountants (ACCA).

Mr. Wen Deyong (文德鏞), aged 51, was appointed as the chief executive officer of the Company in June 2022 and an executive Director of the Company in August 2022. Mr. Wen joined the Group in May 2002. He worked several positions including a vice president of the Company, and served as a senior vice president of the Company from October 2020 to January 2022. He was the co-president of the Company from January 2022 to April 2022, and also the president of the Company from April 2022 to June 2022. Mr. Wen is currently a non-executive director of Sinopharm (stock code: 01099), a company listed on the Hong Kong Stock Exchange, a director of China National Medicines Corporation Ltd.* (國藥集團藥業股份有限公司) (stock code: 600511), a company listed on the Shanghai Stock Exchange, and the chairman of the board of supervisors of China National Accord Medicines Corporation Ltd. (stock code: 000028), a company listed on the Shenzhen Stock Exchange, and he has been a non-executive director of Shanghai Henlius (stock code: 02696), a company listed on the Hong Kong Stock Exchange from July 2022. Mr. Wen was a director of CQ. Pharma Holdings (stock code: 000950), a company listed on the Shenzhen Stock Exchange, and a director of Anhui Sunhere Pharmaceutical Excipients Co., Ltd.* (安徽山河藥用輔料股有限公司) (stock code: 300452), a company listed on the Shenzhen Stock Exchange. Mr. Wen is currently a deputy of the 16th Shanghai Municipal People's Congress and a vice chairman of the Shanghai Licensed Pharmacist Association. Prior to joining the Group, Mr. Wen worked at Chongqing Yaoyou Factory V* (重慶製藥六廠), the predecessor of Chongqing Yaoyou Pharmacy Co., Ltd.* (重慶藥友製藥有限責任公司), a subsidiary of the Company. Mr. Wen is currently a vice president of Shanghai Licensed Pharmacist Association. Mr. Wen graduated from West China University of Medical Science (華西醫科大學), which is now known as West China Medical Center of Sichuan University (四川大學華西醫學中心), and obtained a master's degree in business administration from Donghua University (東華大學).

Mr. Chen Qiyu (陳啟宇), aged 50, was appointed as a non-executive Director of the Company in October 2020. Mr. Chen was the Company's general manager, secretary to the Board, vice chairman, executive Director and chairman from April 1994 to October 2020. Mr. Chen is the chairman of Fosun High Tech, an executive director and a co-chief executive officer of Fosun International (stock code: 00656), a non-executive director and vice chairman of Sinopharm (stock code: 01099) and a non-executive director of Shanghai Henlius (stock code: 02696), all of which are companies listed on the Hong Kong Stock Exchange, and a director of Gland Pharma (stock code: GLAND), a company listed on the BSE and the NSE. Mr. Chen was a director of Zhejiang Dian Diagnostics Co., Ltd.* (迪安診斷技術集團股份有限公司), a company listed on the ChiNext on the Shenzhen Stock Exchange (stock code: 300244), a non-executive director of Babytree Group, a company listed on the Hong Kong Stock Exchange (stock code: 01761), a co-chairman of the board of New Frontier Health Corporation (stock code: NFH), which was delisted from the New York Stock Exchange in January 2022 and merged into Unicorn II Holdings Limited, and a director of Beijing Sanyuan Foods Co., Ltd.* (北京三元食品股份有限公司) (stock code: 600429), a company listed on the Shanghai Stock Exchange from June 2019 to June 2022. Mr. Chen is the chairman of China Medical Pharmaceutical Material Association* (中國醫藥物資協會), vice president of China Pharmaceutical Industry Research and Development Association* (中國醫藥創新促進會), honorary chairman and chief supervisor of the Shanghai Biopharmaceutical Industry Association* (上海市生物醫藥行業協會), a member of the 14th Shanghai Standing Committee of the Chinese People's Political Consultative Conference, and a part-time vice chairman of Shanghai Federation of Industry and Commerce (General Chamber of Commerce)* (上海市工商業聯合會（總商會）). Mr. Chen obtained a bachelor degree in genetics from Fudan University (復旦大學) and an executive master of business administration from China Europe International Business School (中歐國際工商學院).

Mr. Yao Fang (姚方), aged 53, was appointed as a non-executive Director of the Company in October 2020. Mr. Yao was the Company's general manager, president and chief executive officer, executive Director, vice chairman and co-chairman from April 2010 to October 2020. Mr. Yao is an executive president and co-chief investment officer of Fosun International (stock code: 00656), a company listed on the Hong Kong Stock Exchange, and a vice chairman of Beijing Sanyuan Foods Co., Ltd.* (北京三元食品股份有限公司) (stock code: 600429), a company listed on the Shanghai Stock Exchange, and a non-executive director of Gland Pharma (stock code: GLAND), a company listed on the BSE and the NSE, since March 2022. Mr. Yao was the chief supervisor of Sinopharm, a company listed on the Hong Kong Stock Exchange (stock code: 01099). Prior to joining the Group, from 1993 to 2009, Mr. Yao was successively the assistant general manager of the international business department of Shanghai Wanguo Securities Company Limited* (上海萬國證券有限公司), now known as Shenwan Hongyuan Group Co., Ltd.* (申萬宏源集團股份有限公司), general manager of Shanghai Industrial Assets Management Company Limited* (上海上實資產經營有限公司), general manager of Shanghai Industrial Management (Shanghai) Company Limited* (上實管理（上海）有限公司), managing director of Shanghai Industrial Pharmaceutical Investment Company Limited* (上海實業醫藥投資股份有限公司), a company delisted from the Shanghai Stock Exchange in February 2010, chairman of Shanghai Overseas Company (上海海外公司), non-executive director of Lianhua Supermarket Holdings Co., Ltd.* (聯華超市股份有限公司) (stock code: 00980), a company listed on the Hong Kong Stock Exchange, and executive director of Shanghai Industrial Holdings Limited* (上海實業控股有限公司) (stock code: 00363), a company listed on the Hong Kong Stock Exchange. Mr. Yao obtained a bachelor degree of economics from Fudan University (復旦大學) and a master degree of business administration from The Chinese University of Hong Kong.

Biographical Details of
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Mr. Xu Xiaoliang (徐曉亮), aged 49, was appointed as a non-executive Director of the Company in June 2019. Mr. Xu is currently a director and general manager of Fosun High Tech, an executive director and co-chief executive officer of Fosun International (stock code: 00656), a company listed on the Hong Kong Stock Exchange, an executive director and chairman of Fosun Tourism (stock code: 01992), a company listed on the Hong Kong Stock Exchange, a director of Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅游商城（集團）股份有限公司) (stock code: 600655), a company listed on the Shanghai Stock Exchange, and a director of Shanghai Foyo Culture & Entertainment Co., Ltd.* (上海復娛文化傳播股份有限公司) (delisted from NEEQ in April 2021). Mr. Xu was a non-executive director and vice chairman of Zhaojin Mining Industry Company Limited* (招金礦業股份有限公司) (stock code: 01818), a company listed on the Hong Kong Stock Exchange, and a director of Shanghai Resource Property Consulting Co., Ltd.* (上海策源置業顧問股份有限公司) (delisted from NEEQ in December 2020), and a director of Hainan Mining Co., Ltd.* (海南礦業股份有限公司) (stock code: 601969), a company listed on the Shanghai Stock Exchange, from November 2019 to December 2022. Mr. Xu is currently a deputy of the 16th Shanghai Municipal People's Congress, and the chairman of the Shanghai International Fashion Federation. Mr. Xu graduated from Innova Education School of Singapore with a diploma, obtained a master's degree in business administration from the East China Normal University and a master's degree in business administration from Fudan University.

Mr. Pan Donghui (潘東輝), aged 53, was appointed as a non-executive Director of the Company in June 2020. Mr. Pan is currently the executive president and chief human resources officer of Fosun International (stock code: 00656), a company listed on the Hong Kong Stock Exchange, a non-executive director of Fosun Tourism (stock code: 01992), a company listed on the Hong Kong Stock Exchange, a director of Shanghai Foyo Culture & Entertainment Co., Ltd.* (上海復娛文化傳播股份有限公司) (delisted from NEEQ in April 2021), and the chairman of the supervisory committee of Shanghai Ganglian E-Commerce Holdings Co., Ltd.* (上海鋼聯電子商務股份有限公司) (stock code: 300226), a company listed on the Shenzhen Stock Exchange. Mr. Pan was a non-executive director of Linekong Interactive Group Co., Ltd. (stock code: 08267), a company listed on the Hong Kong Stock Exchange, and a director of Shanghai Ganglian E-Commerce Holdings Co., Ltd.* (上海鋼聯電子商務股份有限公司) (stock code: 300226), a company listed on the Shenzhen Stock Exchange. Mr. Pan worked at Zhejiang Ningbo Tiandi Group Co., Ltd.* (浙江寧波天地（集團）股份有限公司, now known as Ningbo Tiandi (Group) Co., Ltd.* (寧波天地（集團）股份有限公司)). Mr. Pan obtained a bachelor degree in engineering from Shanghai Jiaotong University, and a master degree in business administration from the University of Southern California, the United States.

Ms. Li Ling (李玲), aged 61, was appointed as the Company's independent non-executive Director in June 2019. As an expert in health economics, Ms. Li is experienced in research in the areas such as medical and health policy, health economics, economics of ageing and economic growth, and has published many research outcomes. Ms. Li is currently an economics professor and a Ph.D. supervisor of National School of Development at Peking University, the director of Research Center of China Healthy Development at Peking University and concurrently serves as an independent non-executive director of JD Health International Inc. (stock code: 06618), a company listed on the Hong Kong Stock Exchange. Ms. Li served as a lecturer at Wuhan University, an assistant to professor and an associate professor with tenure at the Department of Economics of Towson University, as well as a deputy director, an economics professor and a Ph.D. supervisor at China Center for Economic Research of Peking University. She concurrently served as an independent non-executive director of Sinopharm, a company listed on the Hong Kong Stock Exchange (stock code: 01099). Ms. Li is also a vice chairman of the China Health Economics Association, a member of the State Council Health Reform Advisory Commission, an advisor to the Beijing Municipal Government, and a vice chairman of the Gerontological Society of China. Ms. Li obtained a bachelor's degree in physics from Wuhan University, and obtained a master's degree and a doctoral degree in economics from University of Pittsburgh in the U.S.

Mr. Tang Guliang (湯谷良), aged 60, was appointed as the Company's independent non-executive Director in June 2019. As an expert in financial accounting, Mr. Tang is experienced in management accounting, corporate investment and financing, group management and control, and corporate finance and accounting digital transformation, has published many research outcomes. He is currently a professor at the Department of Economics of International Business School of University of International Business and Economics, and concurrently served as an independent director of Appotronics Corporation Limited* (深圳光峰科技股份有限公司) (stock code: 688007), a company listed on the STAR Market of the Shanghai Stock Exchange, an independent director of Jointown Pharmaceutical Group Co., Ltd. (九州通醫藥集團股份有限公司) (stock code: 600998), a company listed on the Shanghai Stock Exchange, and an independent director of Chongqing Changan Automobile Company Limited* (重慶長安汽車股份有限公司) (stock code: 000625), a company listed on the Shenzhen Stock Exchange, from June 2022. Mr. Tang was an assistant lecturer, lecturer, associate professor and professor at the Accounting Department of Beijing Business School (currently Beijing Technology and Business University), the dean and professor at School of Accounting of Beijing Technology and Business University, and was the dean of International Business School of University of International Business and Economics. He concurrently served as an independent non-executive director of TCL Electronics Holdings Limited (stock code: 01070), a company listed on the Hong Kong Stock Exchange and an independent director of Changjiang Securities Co., Ltd. (Stock code: 000783), a company listed on the Shenzhen Stock Exchange. Mr. Tang is a non-practicing member of The Chinese Institute of Certified Public Accountants. Mr. Tang obtained his bachelor degree in accounting from Beijing Business School (currently Beijing Technology and Business University), his master's degree in accounting from Beijing Business School, and his doctoral degree in finance from Chinese Academy of Fiscal Sciences under the Ministry of Finance.

Mr. Wang Quandi (王全弟), aged 72, was appointed as the Company's independent non-executive Director in June 2021. As a legal expert, Mr. Wang has published major works and papers such as General Principles to Civil Law* (民法總論), Law of Obligations* (債法) and Property Law* (物權法). Mr. Wang is currently an independent director of Shandong Bohui Paper Industrial Co., LTD* (山東博匯紙業股份有限公司) (stock code: 600966), a listed company on the Shanghai Stock Exchange. Mr. Wang taught at Fudan University Law School for more than 30 years, with the professional field of law (civil and commercial law). Mr. Wang was an arbitrator at the Shanghai Arbitration Commission. Mr. Wang graduated from Jilin University with a bachelor degree in law.

Mr. Yu Tze Shan Hailson (余梓山), aged 66, was appointed as the Company's independent non-executive Director in June 2021. As an expert in the authorization and transformation of scientific and technological achievements, Mr. Yu is experienced in biopharmaceuticals, Chinese medicine, patent and authorization, venture capital investment, systems engineering and computer engineering. Mr. Yu is currently an independent non-executive director of China Traditional Chinese Medicine Holdings Co., Ltd. (stock code: 00570) and an independent non-executive director of China NT Pharma Group Company Limited (stock code: 01011), both of which are listed on the Hong Kong Stock Exchange, and he has been the director of Innovation & Entrepreneurship of Macau University of Science and Technology from February 2023. Mr. Yu was an independent non-executive director of Sinopharm (stock code: 01099), a company listed on the Hong Kong Stock Exchange. Mr. Yu was the deputy managing director of Versitech Limited and deputy director of Technology Transfer Office of the University of Hong Kong from February 1998 to September 2022, and served as the chief operating officer of HKU Innovation Holdings Limited from April 2020 to September 2022. Mr. Yu currently is a Chartered Engineer, fellow of each of the Institution of Engineering and Technology, the Hong Kong Institution of Engineers, the Chartered Institute of Arbitrators and Hong Kong Institute of Arbitrators, and a member of the expert audit committee of Logistics and Supply Chain MultiTech R&D Centre. Mr. Yu graduated from the University of Calgary with a bachelor's degree in Electrical Engineering, graduated from the University of Hong Kong with a master's degree in Engineering, and graduated from City University of Hong Kong with a master's degree in Arbitration and Dispute Resolution.

Biographical Details of
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SUPERVISORS

Ms. Ren Qian (任倩), aged 53, has served as the chairman of the Supervisory Committee of the Company since January 2018. Ms. Ren joined the Group in May 2011 and has been serving as the deputy general manager and general manager of audit department of the Company from May 2011 to January 2018. Prior to joining the Group, Ms. Ren served as an auditor of the audit department of Shanghai No.1 Department Store Company Limited* (上海市第一百貨股份有限公司) (whereafter merged with Shanghai Bailian Group Company Limited* (上海百聯集團股份有限公司) (stock code: 600827), a company listed on the Shanghai Stock Exchange) and the manager of financial department of a subsidiary thereof, the chief officer of the second division of audit department of China Worldbest Group Company Limited* (中國華源集團有限公司), the assistant to director of Shanghai Zhongzhou Certified Public Accountants Company Limited* (上海中洲會計師事務所有限公司), and the deputy general manager of audit department of Shanghai China Fortune Company Limited* (上海華鑫股份有限公司) (stock code: 600621), a company listed on the Shanghai Stock Exchange. Ms. Ren graduated from Shanghai University of Finance and Economics (上海財經大學) with a bachelor degree in economics, and graduated from The Chinese University of Hong Kong with a master degree in accounting.

Mr. Cao Genxing (曹根興), aged 76, has served as the Company's Supervisor since 26 May 2008. Mr. Cao was the secretary to the board of Dahua Group Limited* (大華(集團)有限公司), and he no longer served as the chairman's advisor of Shanghai Shenxing (Group) Company Limited (上海申新(集團)有限公司) from March 2023. Mr. Cao graduated from Central Agricultural Broadcasting and Television School* (中央農業廣播電視學校) and Shanghai Baoshan District Vocational University (上海寶山區業餘大學), with a diploma in agricultural science and a diploma in party and government management.

Mr. Guan Yimin (管一民), aged 72, was appointed as the Company's Supervisor on 30 June 2014. Mr. Guan is currently an independent director of Yihai Kerry Arawana Holdings Co., Ltd.* (益海嘉里金龍魚糧油食品股份有限公司) (stock code: 300999), a company listed on the Shenzhen Stock Exchange, an independent director of Shanghai Huayi (Group) Company (上海華誼集團股份有限公司) (stock code: 600623), a company listed on the Shanghai Stock Exchange, and an independent director of China Fortune Securities Co., Ltd.* (華鑫證券有限責任公司). He has been an independent director of Greenland Holdings Group Co., Ltd.* (綠地控股集團有限公司) (stock code: 600606), a company listed on the Shanghai Stock Exchange since February 2022, an independent director of Jiangsu Nonghua Intelligent Agriculture Technology Co., Ltd.* (江蘇農華智慧農業科技股份有限公司) (stock code: 000816), a company listed on the Shenzhen Stock Exchange, since April 2022, and an independent director of Shanghai Jinjiang Shipping (Group) Co., Ltd.* (上海錦江航運(集團)股份有限公司) since August 2022. Mr. Guan had been the independent Director and independent non-executive Director of the Company from May 2007 to June 2013. Mr. Guan was the vice president and professor of Shanghai National Accounting Institute, an independent non-executive director of China Shipping Container Lines Company Limited (currently renamed as COSCO SHIPPING Development Co., Ltd.) (stock codes: 02866 and 601866), a company listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange, an independent director of Porton Pharma Solutions Ltd.* (重慶博騰製藥科技股份有限公司) (stock code: 300363), a company listed on the Chinext on the Shenzhen Stock Exchange, an independent non-executive director of Tianjin Capital Environmental Protection Group Company Limited (stock codes: 01065 and 600874), a company is listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange, an independent director of Shanghai International Port (Group) Co., Ltd.* (上海國際港務(集團)股份有限公司) (stock code: 600018), a company listed on the Shanghai Stock Exchange, an independent director of Bank of Shanghai Co., Ltd. (stock code: 601229), a company listed on the Shanghai Stock Exchange and an independent director of Bringspring Science and Technology Co., Ltd.* (榮科科技股份有限公司) (stock code: 300290), a company listed on the Shenzhen Stock Exchange, and an independent director of Hefei Genius Advanced Material Co., Ltd.* (合肥傑事傑新材料股份有限公司) (stock code: 834166), a company listed on the NEEQ, from December 2020 to March 2022. Mr. Guan obtained a bachelor degree in accounting from Shanghai University of Finance and Economics (SUFE).

SENIOR MANAGEMENT

Mr. Wen Deyong (文德鏞), is the Company's executive Director and chief executive officer. His biographical details are set out on page 180 of this annual report.

Mr. Chen Yuqing (陳玉卿), aged 47, joined the Group in January 2010 and is currently the Company's co-chief executive officer (appointed in June 2022). He was the Company's vice president, senior vice president and etc. from January 2010 to October 2020, and he also served the co-president of the Company from October 2020 to June 2022. Prior to joining the Group, he was a teacher at the School of Materials of Shanghai University, the human resources manager of each of Yanfeng Visteon Automotive Trim Systems Co., Ltd* (延鋒偉世通汽車飾件系統有限公司) (now renamed as Yanfeng Automotive Trim Systems Co., Ltd.* (延鋒汽車飾件系統有限公司)), Yanfeng Visteon (Beijing) Automotive Trim Systems Co., Ltd. * (延鋒偉世通(北京)汽車飾件系統有限公司) and Shanghai Yanfeng Johnson Controls Seating Co., Ltd.* (上海延鋒江森座椅有限公司), the development manager of the human resources department of Shanghai Alison (Group) Co., Ltd.* (上海埃力生(集團)有限公司), the Central China human resources manager of Schindler China Elevator Co. Ltd.* (迅達(中國)電梯有限公司), the senior human resources integration manager of Global Mart Limited* (購寶商業集團), and the chief human resources officer of Kubao Information Technology (Shanghai) Co., Ltd.* (酷寶信息技術(上海)有限公司). Mr. Chen obtained a bachelor degree in engineering from Shanghai University.

Ms. Mei Jingping (梅璟萍), aged 52, joined the Group in January 2013 and is currently an executive president of the Company (appointed in January 2021). She was the vice president of the Company from January 2013 to June 2019 and senior vice president of the Company from June 2019 to January 2022. Prior to joining the Group, Ms. Mei was the senior marketing manager of the marketing department of Wyeth Pharmaceutical Co., Ltd. and the investment analyst, senior investment analyst and research director of pharmaceutical industry at CLSA Limited. Ms. Mei obtained a bachelor degree in science from China Pharmaceutical University and an EMBA degree from China Europe International Business School.

Mr. Li Shengli (李勝利), aged 49, joined the Group in April 2004 and is currently the Company's executive president (appointed in January 2022). He was the Company's vice president from April 2004 to March 2021, and served as the senior vice president of the Company from March 2021 to January 2022. Prior to joining the Group, Mr. Li served at Xuzhou Nhwa Pharmaceutical Group Co., Ltd.* (徐州恩華藥業集團有限責任公司). Mr. Li graduated from Anhui University of Chinese Medicine with a major in traditional Chinese medicine, and obtained a master's degree in business administration from Shanghai Jiao Tong University.

Mr. Xingli Wang, aged 60, joined the Group in January 2023 and is currently the Company's executive president (appointed in January 2023). He has been the head of the global R&D center of the Company and co-chief executive officer of Innovative Medicine Business Division since January 2023. Prior to joining the Group, Mr. Wang served as a senior lecturer in cardiovascular medicine at The University of New South Wales, Australia, and as a cardiologist and adjunct professor at Baylor College of Medicine, USA, medical director of Schering-Plough Corporation, a company formerly listed on the NYSE (stock code: SGP) (merged into Merck & Co., Inc. in 2009). He also worked in Novartis AG (stock code NVS), a company listed on the NYSE from October 2010 to May 2022, mainly serving as project director, global project clinical director, director of Novartis global drug R&D (China) and general manager of Biomedical Research Institute (China). Mr. Wang obtained a bachelor's degree in medicine from Shandong Medical College (incorporated into Shandong University in 2000) and a doctorate degree in cardiovascular science from the UNSW. Mr. Wang also holds a license to practice medicine in Australia.

Mr. Wang Donghua (王冬華), aged 53, joined the Group in October 2015 and is currently a senior vice president of the Company (appointed in October 2020). He was a vice president of the Company from October 2015 to October 2020. Prior to joining the Group, Mr. Wang was the deputy manager and manager of the corporate culture department, deputy general manager of the investment development department, deputy general manager and spokesman of the brand development department, and deputy general manager, executive general manager and joint general manager of the public affairs department of Fosun High Tech. Mr. Wang obtained a bachelor degree in agriculture from Yangzhou University, and a master degree in business administration from Shanghai University of Finance and Economics.

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Mr. Li Dongjiu (李東久), aged 57, re-joined the Group in March 2021 and is currently the senior vice president of the Company (appointed in March 2021). He was the vice president and senior vice president of the Company from December 2009 to January 2018. Mr. Li is a non-executive director of Sinopharm, a company listed on the Hong Kong Stock Exchange (stock code: 01099). Prior to initially joining our Group, Mr. Li served as the deputy general manager and chief financial officer of North China Pharmaceutical Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600812). Mr. Li was a director of China National Pharmaceutical Group Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600511), the vice president and general counsel of Sinopharm, a company listed on the Stock Exchange (stock code: 01099), and a director of Sinopharm Group Accord Pharmaceutical Co., Ltd. (國藥集團一致藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000028). Mr. Li obtained a bachelor's degree in chemical engineering from Dalian Institute of Technology (now known as Dalian University of Technology), a master's degree in management science and engineering from Wuhan Jiaotong University of Science and Technology, a master's degree in international economic and trade relations from Flinders University, Australia, and a Ph.D. degree in transportation planning and management from Wuhan University of Technology, and an EMBA degree from China Europe International Business School.

Ms. Feng Rongli (馮蓉麗), aged 47, joined the Group in April 2020 and is currently the senior vice president of the Company (appointed in March 2021). She was a vice president of the Company from April 2020 to March 2021. Ms. Feng is currently the chairman of the board of supervisors of Shanghai Henlius (stock code: 02696), a non-executive director of Sinopharm (stock code: 01099), and a non-executive director of Sisram Medical (stock code: 01696), all of which are companies listed on the Hong Kong Stock Exchange. Prior to joining the Group, Ms. Feng served as a human resources supervisor of Sealed Air Packaging (Shanghai) Co., Ltd. (希悦爾包裝(上海)有限公司), a human resources manager of Grundfos Pumps (Shanghai) Co., Ltd. (格蘭富水泵(上海)有限公司), the Asia-Pacific human resources manager of Emerson Electric (China) Holdings Co., Ltd. (艾默生電氣(中國)投資有限公司), the China human resources planning manager of Dow Chemical (China) Co., Ltd. (陶氏化學(中國)有限公司), the director of human resources of Shanghai Roche Pharmaceutical Co., Ltd. (上海羅氏製藥有限公司), the senior director of human resources at F. Hoffmann-La Roche AG, the deputy chief human resources officer of Fosun High Tech and the managing director of the human resources of Shanghai Fosun Venture Capital Investment Management Co., Ltd. (上海復星創業投資管理有限公司). Ms. Feng graduated from Shanghai University with a major in computer application and obtained a master's degree in business administration from Columbia Southern University.

Mr. Liu Yi (劉毅), aged 47, joined the Group in November 2015 and is currently a senior vice president of the Company (appointed in January 2022). He was the vice president of the Company from January 2017 to January 2022. Mr. Liu is currently the executive Director and chairman of the board of directors of Sisram Medical (stock code: 01696), a company listed on the Hong Kong Stock Exchange. Prior to joining the Group, Mr. Liu worked at the State Food and Drug Administration (now known as the National Medical Products Administration), and Beijing Medical Equipment Laboratory (北京市醫療器械檢驗所). Mr. Liu obtained a bachelor degree in engineering from Beijing Institute of Technology, a master degree in management from Peking University, and a doctorate degree in biomedical engineering from Beihang University.

Mr. Hu Hang (胡航), aged 39, joined the Group in September 2010 and is currently the Company's senior vice president (appointed in January 2022). He was the president assistant and vice president of Fosun Health (a subsidiary of the Company) from September 2010 to January 2020, and vice president of the Company from January 2020 to January 2022. Prior to joining the Group, Mr. Hu served as an auditor at PricewaterhouseCoopers Zhong Tian LLP, a senior auditor at Ernst & Young Hua Ming LLP, and a senior adviser on risk control at PricewaterhouseCoopers Management Consulting (Shanghai) Limited. Mr. Hu obtained a bachelor's degree in economics from Fudan University, and a master's degree in business administration from Shanghai Jiao Tong University.

Mr. Bao Qingui (包勤貴), aged 38, joined the Group in July 2010 and is currently the Company's senior vice president (appointed in January 2022). He was the assistant to the president, vice president and executive president of Fosun Health, a subsidiary, from July 2010 to January 2020, and vice president of the Company from January 2020 to January 2022. Mr. Bao received a bachelor's degree in engineering from Hefei University of Technology and a master's degree of science from Fudan University.

Ms. Li Jing (李靜), aged 50, joined the Group in May 2022 and is currently the Company's senior vice president of (appointed in August 2022) and has been the president of the Company's medicines manufacturing & supply division since May 2022. Prior to joining the Group, Ms. Li held the positions including engineer, office director and deputy director of Tianjin Pharmaceutical Company Research Institute (天津藥業公司研究所) (the predecessor of Tianjin Pharmaceutical Research Institute Co., Ltd. (天津藥業研究院股份有限公司)), assistant to general manager of Tianjin Pharmaceutical Group Co., Ltd. (天津藥業集團有限公司), chief engineer of Tianjin Pharmaceutical Group Co., Ltd., general manager and director of Tianjin Pharmaceutical Research Institute Co., Ltd., chairperson of Tianjin Jinyao Amino Acids Co., Ltd. (天津金耀氨基酸有限公司). From December 2013 to May 2022, she served as deputy secretary of the Party Committee, general manager, chairman of the board, secretary of the Party Committee and director of Tianjin Pharmaceutical Group Co., Ltd. She served as the chairman of Tianjin Pharmaceutical Research Institute Co., Ltd. from July 2017 to April 2022, chief engineer of Tianjin Pharmaceutical Holdings Ltd. (天津市醫藥集團有限公司) from May 2020 to April 2022, chairman of Tianjin Pharmaceutical Group Research Institute Co., Ltd. (天津醫藥集團研究院有限公司), now known as Jinyao Biotechnology (Tianjin) Co., Ltd. (津藥生物科技(天津)有限公司) from October 2020 to April 2022, and chairman and secretary of the Party Committee of Tianjin Tianyao Pharmaceutical Co., Ltd. (天津天藥藥業股份有限公司) (stock code: 600488), a company listed on the Shanghai Stock Exchange from July 2021 to May 2022. Ms. Li graduated from Tianjin College of Traditional Chinese Medicine (now known as Tianjin University of Traditional Chinese Medicine) with a bachelor's degree in medicine and graduated from Tianjin University with a master's degree in business administration.

Mr. Rong Yang, aged 44, joined the Group in January 2022. He is currently the Company's senior vice president (appointed in August 2022). He has been the chief executive office of a subsidiary Fosun Pharma USA Inc. since January 2022. Mr. Yang has been a director of Nature's Sunshine Products, Inc., a company listed on the NASDAQ, (stock code: NATR) since June 2022. Prior to joining the Group, Mr. Yang worked in the Bayer Group from 2004 to 2021, mainly as the global market development manager of Bayer Schering Pharma AG, marketing director of Bayer Austria Ges,m,b,H (Bayer (Austria) Company), assistant to chairman of Bayer Pharma AG, general manager of Bayer S.R.O, vice president of Bayer US LLC, and he was in charge of the finance and strategy department (Americas), business insight and data analysis department, blood marketing department, and specialty drug sales department. Mr. Yang graduated Beijing Foreign Studies University with a bachelor's degree of art, graduate from Nankai University with a master's degree in economics and from Harvard Business School with a MBA degree.

Ms. Dong Xiaoxian (董曉嫻), aged 41, joined the Group in July 2003, and is currently a vice president (appointed in June 2016), the secretary to the Board and a joint company secretary of the Company. Ms. Dong worked as several positions including the securities affairs representative and deputy director of the Board Secretary Office of the Company from July 2003 to June 2016. Ms. Dong graduated from Shanghai University (上海大學) with a Bachelor of Laws, and graduated with a Master of Business Administration Degree from Fudan University (復旦大學).

Mr. Zhang Yuejian (張躍建), aged 53, re-joined the Group in February 2005 and is currently the Company's vice president (appointed in June 2019). Mr. Zhang was the president assistant of the Company from February 2005 to June 2019. Prior to joining the Group for the first time, Mr. Zhang was a lecturer at Shanghai Medical University (上海醫科大學) and had a postdoctoral research at Boston University. Mr. Zhang obtained a bachelor's degree in medicine from Shanghai Medical University, a master's degree in medicine from Shanghai Medical University, and a doctorate in medicine from Shanghai Medical University.

Biographical Details of
Directors, Supervisors and Senior Management

Mr. Yuan Ning (袁寧), aged 45, joined the Group in September 2007 and is currently the Company's vice president (appointed in January 2022). He worked several positions including a senior vice president and the general manager of the strategic product development center of Fosun Pharmaceutical Industrial, a subsidiary of the Company, the chief commercial business officer of the Company, and the general manager of the business development department from September 2007 to January 2022. Prior to joining the Group, Mr. Yuan served in the research department and the marketing department for Nanjing Meridian Pharmaceuticals Limited. Mr. Yuan obtained a bachelor's degree in science in biological engineering and pharmacy co-organized by Nanjing University and China Pharmaceutical University and a doctorate in medicine from Shanghai Pharmaceutical Industry Research Institute (now known as China National Pharmaceutical Industry Research Institute).

Ms. Su Li (蘇莉), aged 51, joined the Group in June 2006 and is currently the Company's vice president (appointed in January 2022). She worked several positions including the chief executive officer of Tridem Pharma, a subsidiary, a vice president and the emerging market general manager of the overseas business department of Fosun Pharmaceutical Industrial, and the president assistant of the Company from June 2006 to January 2022. Prior to joining the Group, Ms. Su served as a clerk in the office of the president of Kunming Pharmaceutical Limited* (昆明製藥股份有限公司) and the deputy manager and manager of imports and exports department and manager of international trade department of Kunyao Group Co., Ltd. Ms. Su obtained a Bachelor of Arts degree from Yunnan University.

Mr. Ji Hao (紀皓), aged 48, joined the Group in June 2016 and is currently the Company's vice president (appointed in January 2022). He worked several positions including the president assistant of the Company from June 2016 to January 2022. Prior to joining the Group, Mr. Ji served as an assistant researcher at the Chinese People's Liberation Army Academy of Military Sciences and served in the First Branch of the Shanghai People's Procuratorate. Mr. Ji obtained a bachelor's degree of laws from the People's Liberation Army Nanjing University of International Relations (now known as National University of Defense Technology University of International Relations), a master's degree of law from the East China University of Political Science and Law and a master's degree of law from The Chinese University of Hong Kong.

Ms. Zhu Yue (朱悦), aged 45, joined the Group in October 2020 and is currently the Company's vice president (appointed in January 2022). She worked several positions including the president assistant of the Company from October 2020 to January 2022. Prior to joining the Group, Ms. Zhu served as an attorney and senior attorney at Morgan, Lewis & Bockius LLP in the United States, senior attorney of Milbank LLP in the United States, senior attorney and consultant lawyer of Clifford Chance LLP in the United Kingdom and the managing director of the Legal Department of Fosun International (a company listed on the Hong Kong Stock Exchange, stock code: 00656). Ms. Zhu obtained a bachelor's degree in science from University of Science and Technology of China, a master's degree in Biology from the University of Iowa in the United States and a doctorate in law from the University of Maryland in the United States. She was also admitted as an attorney of the State of California in the United States.

Mr. Xu Aihua (徐愛華), aged 46, joined the Group in July 2022 and is currently the Company's vice president of (appointed in January 2023). He was the assistant to the chief executive officer of the Company from July 2022 to January 2023. Prior to joining the Group, Mr. Xu was a principal staff member and deputy director of the Shanghai Municipal Development and Reform Commission, a member of the Party Committee and deputy mayor of Jinqiao Township in Pudong New Area, Shanghai, deputy director, director, assistant to spokesperson of Policy and Regulation Division of Shanghai Municipal Development and Reform Commission, the president of Shanghai Zhongcan Network Technology Co., Ltd. (上海中產網絡科技有限公司) and chief executive officer of Shanghai Hengshi Investment Group Co., Ltd. (上海恒實投資集團有限公司). Mr. Xu obtained a bachelor's degree in management from Hubei University and a master's degree in political science from East China Normal University.

Mr. Li Dongming (李東明) worked for the Group from April 2017 to January 2022, and served as the Company's vice president, senior vice president, and co-president from January 2018 to January 2022.

Mr. Wang Yao (汪曜) joined the Group in September 2014, and was the Company's vice president from September 2014 to January 2022.

Mr. Aimin Hui worked for the Group from November 2017 to June 2022, and was the Company's senior vice president and executive president.

Ms. Wu Xiaolei (吳曉蕾) worked for the Group from October 2017 to July 2020 and from January 2022 to June 2022, and served as the Company's vice president and chief financial officer from January 2022 to June 2022.

JOINT COMPANY SECRETARIES

Ms. Dong Xiaoxian (董曉嫻), aged 41, a joint company secretary, is also a senior vice president of the Company and secretary to the Board. Please refer to page 187 of this annual report for her biography.

Ms. Kam Mei Ha, Wendy (甘美霞), aged 55, a joint company secretary, is also an executive director of corporate services at Tricor Services Limited. Prior to joining Tricor Services Limited, Ms. Kam served as manager of the company secretarial department of Ernst & Young, Hong Kong and Tricor Tengis Limited. Ms. Kam is named company secretary of 11 listed companies on the Hong Kong Stock Exchange (including the Company) as at the end of the Reporting Period. Ms. Kam is a Chartered Secretary, a Chartered Governance Professional and a fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. She graduated from City Polytechnic of Hong Kong (now known as City University of Hong Kong) with a professional diploma in company secretaryship and administration in November 1990.

Independent
Auditor's Report

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To the shareholders of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 197 to 337 which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. 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 MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

To the shareholders of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.
(Established in the People's Republic of China with limited liability)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter

Business combinations not involving enterprises under common control

On 20 January 2022, Shanghai Fosun Health Technology (Group) Co., Ltd. (hereinafter referred as "Fosun Health"), a subsidiary of the Company, acquired 70.00% equity interests in Guangzhou Xinshi Hospital Co., Ltd. (hereinafter referred to as "Xinshi Hospital") from an independent third party at a cash consideration of RMB809,200,000.

On 31 August 2022, Yaopharma Co., Ltd., a subsidiary of the Company, acquired 100.00% equity interests in Beijing Jiluohua Pharmaceutical Co., Ltd. (hereinafter referred to as "Jiluohua") from an independent third party at a cash consideration of RMB424,813,000.

On 29 July 2022, Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. (hereinafter referred to as "Industrial Development"), a subsidiary of the Company, acquired 51.76% equity interests in Shanghai Xingmai Information Technology Co., Ltd. (hereinafter referred to as "Xingmai Information") from a related party at a cash consideration of RMB362,350,000. At the same day, Industrial Development signed a capital increase agreement with two new independent third-party shareholders, Xingmai Information and its existing shareholders, that Industrial Development contributed RMB50,000,000 in cash to subscribe for the newly increased registered capital of Xingmai Information of the par value amounting to RMB6,640,625. The Group determined that the acquisition date of this transaction was 5 August 2022. After the acquisition, the Group holds 72.38% equity interests in Xingmai Information.

Management engaged external appraisers to evaluate the fair value of the identifiable assets and liabilities of Xinshi Hospital, Jiluohua and Xingmai Information. This matter was material to our audit as the fair value assessment involved significant accounting estimates. The disclosures about business combinations are included in note 2.4 "Summary of Significant Accounting Policies", note 3 "Significant Accounting Judgements and Estimates" and note 40 "Business Combinations" to the consolidated financial statements.

Our audit procedures included, among others, obtaining and reviewing the share purchase agreements and examining the payments of considerations. We assessed the objectivity, independence and professional competence of the external appraisers engaged by the Group to perform the valuation. We also involved our internal valuation specialists to assist us in evaluating the valuation methodologies adopted and the assumptions used in the valuation of the identifiable assets and liabilities of Xinshi Hospital, Jiluohua and Xingmai Information, including trademarks, patents and technical know-how, and business networks and, in particular, the discount rates. We also focused on the forecasts regarding to future revenues and operating results by comparing the forecasts with business development plans and market data of similar products commercialised in the market.

We also focused on the adequacy of the disclosures in the consolidated financial statements.

To the shareholders of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.
(Established in the People's Republic of China with limited liability)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill	
The carrying value of goodwill in the consolidated financial statements amounted to RMB10,337,053,000 as at 31 December 2022. In accordance with HKFRSs, the Group is required to perform impairment test for goodwill at least on an annual basis. The impairment test is based on the recoverable amount of each cash-generating unit to which the goodwill is allocated. The recoverable amount of each cash-generating unit is its value in use using cash flow projection based on a financial budget or a forecast. This matter was significant to our audit because the impairment test process was complex and involved significant judgements and estimates. The disclosures about impairment of goodwill are included in note 2.4 "Summary of Significant Accounting Policies", note 3 "Significant Accounting Judgements and Estimates" and note 17 "Goodwill", which specifically explains the key assumptions management used for the calculation of the recoverable amounts to the consolidated financial statements.	Our audit procedures included, among others, involving internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group, in particular, the discount rate and the growth rate beyond a forecast period. We paid attention to the forecasts used with respect to future revenues and operating results by comparing the forecasts with the historical performance and the business development plan of each cash-generating unit. We also focused on the adequacy of the disclosures in the consolidated financial statements.

To the shareholders of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.
(Established in the People's Republic of China with limited liability)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of indefinite-life intangible assets	
The carrying value of indefinite-life intangible assets (medicine licenses, trademarks, patents and technical know-how and operating concession rights) in the consolidated financial statements amounted to RMB1,010,258,000 as at 31 December 2022. In accordance with HKFRSs, the Group is required to perform impairment test for indefinite-life intangible assets at least on an annual basis. The impairment test is based on the recoverable amount of each individual asset or the corresponding cash-generating unit, which is its value in use using cash flow projections based on a financial budget or a forecast. This matter was significant to our audit because the impairment test process was complex and involved significant judgements and estimates. The disclosures about impairment of indefinite-life intangible assets are included in note 2.4 "Summary of Significant Accounting Policies", note 3 "Significant Accounting Judgements and Estimates" and note 18 "Other Intangible Assets", which specifically explains the key assumptions management used for the calculation of the recoverable amounts to the consolidated financial statements.	Our audit procedures included, among others, involving internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group, in particular, the discount rate and the growth rate beyond a forecast period used in the cash flow forecast of each individual asset or the corresponding cash-generating unit. We paid attention to the forecasts used with respect to future revenues and operating results by comparing the forecasts with historical performance and product revenue plan of each individual asset or the corresponding cash-generating unit. We also focused on the adequacy of the disclosures in the consolidated financial statements.
Capitalisation of development expenditures	
During the year ended 31 December 2022, expenditure incurred on projects to develop new pharmaceutical products of RMB1,467,174,000 was capitalised in "other intangible assets — deferred development costs" in the consolidated financial statements. The expenditure on development activities was capitalised and deferred when all criteria mentioned in note 2.4 "Summary of Significant Accounting Policies" were satisfied. This matter was significant to our audit because significant management's estimation and judgement were required in determining whether development expenditure met the capitalisation criteria. The disclosures about capitalisation of development expenditure are included in note 2.4 "Summary of Significant Accounting Policies", note 3 "Significant Accounting Judgements and Estimates" and note 18 "Other Intangible Assets" to the consolidated financial statements.	Our audit procedures included, among others, assessing whether the capitalisation policy adopted to be in line with HKFRSs, obtaining an understanding of the Group's internal approval procedures regarding the capitalisation of development expenditures by conducting interview with key management members in charge of research, development and industrialisation of various projects, and obtaining certifications related to different stages of development activities and commercial and technical feasibility reports prepared by management. We also focused on the adequacy of the disclosures in the consolidated financial statements.

Independent
Auditor's Report

To the shareholders of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.
(Established in the People's Republic of China with limited liability)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than 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.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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. Our report is made solely to you, as a body, 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 HKSAs 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.

To the shareholders of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.
(Established in the People's Republic of China with limited liability)

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism 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.

- 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.

To the shareholders of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.
(Established in the People's Republic of China with limited liability)

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

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 matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters 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.

The engagement partner on the audit resulting in this independent auditor's report is Lawrence K.W. Lau.

Ernst & Young
Certified Public Accountants
Hong Kong
27 March 2023

Consolidated
Statement of Profit or Loss

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000 (Restated)
REVENUE	5	43,811,385	38,864,174
Cost of sales		(23,169,690)	(20,229,785)
Gross profit		20,641,695	18,634,389
Other income	6	447,326	375,736
Selling and distribution expenses		(9,171,176)	(9,100,803)
Administrative expenses		(3,915,740)	(3,314,343)
Impairment losses on financial assets		(65,369)	(74,016)
Research and development expenses		(4,302,093)	(3,837,303)
Other gains	8	2,756,877	3,322,373
Other expenses		(2,964,942)	(1,163,745)
Interest income		282,635	233,785
Finance costs	9	(963,807)	(822,540)
Share of profits and losses of:			
Joint ventures		(233,925)	(247,388)
Associates		2,069,071	2,036,525
PROFIT BEFORE TAX	7	4,580,552	6,042,670
Income tax expense	12	(626,918)	(1,066,401)
PROFIT FOR THE YEAR		3,953,634	4,976,269
Attributable to:			
Owners of the parent		3,736,975	4,728,711
Non-controlling interests		216,659	247,558
		3,953,634	4,976,269
Earnings per share attributable to ordinary equity holders of the parent:	14		
Basic		RMB1.43	RMB1.85
Diluted		RMB1.43	RMB1.85

Consolidated
Statement of Comprehensive Income

Year ended 31 December 2022

	2022	2021
	RMB'000	RMB'000
		(Restated)
PROFIT FOR THE YEAR	**3,953,634**	4,976,269
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**208,227**	(409,611)
Share of other comprehensive loss of joint ventures	**(4,297)**	(531)
Share of other comprehensive (loss)/income of associates	**(83,592)**	56,014
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**120,338**	(354,128)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(14,465)**	(978)
Income tax effect	**2,170**	147
Share of other comprehensive income of associates	**—**	10,778
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	**(12,295)**	9,947
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**108,043**	(344,181)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**4,061,677**	4,632,088
Attributable to:		
Owners of the parent	**3,837,585**	4,396,458
Non-controlling interests	**224,092**	235,630
	4,061,677	4,632,088

Consolidated
Statement of Financial Position

31 December 2022

	Notes	**2022** **RMB'000**	2021 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	15	**15,718,789**	13,012,075
Right-of-use assets	16	**2,837,229**	2,569,796
Goodwill	17	**10,337,053**	9,399,987
Other intangible assets	18	**13,951,625**	11,610,712
Investments in joint ventures	19	**230,606**	282,837
Investments in associates	20	**22,863,449**	22,343,990
Equity investments designated at fair value through other comprehensive income	21	**15,451**	29,916
Financial assets at fair value through profit or loss	28	**2,388,829**	1,206,489
Deferred tax assets	22	**442,570**	265,589
Trade receivables — non-current	23	**91,663**	77,395
Other non-current assets	24	**2,956,749**	2,013,742
Total non-current assets		**71,834,013**	62,812,528
CURRENT ASSETS			
Inventories	25	**6,882,432**	5,472,547
Trade and bills receivables	26	**7,612,942**	6,045,947
Prepayments, other receivables and other assets	27	**2,635,453**	3,468,530
Financial assets at fair value through profit or loss	28	**928,532**	4,241,069
Debt investments at fair value through other comprehensive income	26	**558,927**	427,884
Cash and bank balances	29	**16,241,313**	10,317,224
		34,859,599	29,973,201
Assets of a disposal group classified as held for sale	30	**419,578**	463,705
Total current assets		**35,279,177**	30,436,906
CURRENT LIABILITIES			
Trade and bills payables	31	**6,284,041**	5,063,693
Other payables and accruals	32	**7,649,161**	7,024,960
Interest-bearing bank and other borrowings	33	**17,016,360**	15,460,243
Lease liabilities	34	**184,406**	141,496
Contract liabilities	35	**1,544,763**	1,153,858
Tax payable		**619,339**	474,223
Total current liabilities		**33,298,070**	29,318,473
NET CURRENT ASSETS		**1,981,107**	1,118,433
TOTAL ASSETS LESS CURRENT LIABILITIES		**73,815,120**	63,930,961

Consolidated
Statement of Financial Position

31 December 2022

	Notes	**2022** **RMB'000**	2021 RMB'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**73,815,120**	63,930,961
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	33	**12,099,868**	9,049,069
Lease liabilities	34	**744,992**	648,360
Deferred tax liabilities	22	**3,362,940**	3,129,746
Contract liabilities	35	**354,413**	239,011
Deferred income	36	**632,433**	512,806
Other long-term liabilities	37	**2,562,281**	2,029,287
Total non-current liabilities		**19,756,927**	15,608,279
Net assets		**54,058,193**	48,322,682
EQUITY			
Equity attributable to owners of the parent			
Share capital	38	**2,672,157**	2,562,899
Treasury shares		**(53,255)**	—
Reserves	39	**41,912,839**	36,575,773
		44,531,741	39,138,672
Non-controlling interests		**9,526,452**	9,184,010
Total equity		**54,058,193**	48,322,682

Wu Yifang
Director

Guan Xiaohui
Director

Consolidated
Statement of Changes in Equity

Year ended 31 December 2022

	Attributable to owners of the parent									
	Issued share capital RMB'000 (note 38)	Share premium RMB'000	Fair value reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021 (As previously reported)	2,562,899	11,385,162	139,710	2,728,604	3,888,329	(1,061,719)	17,295,662	36,938,647	8,988,749	45,927,396
Business combination involving enterprises under common control	—	—	—	—	5,831	—	(1,329)	4,502	671	5,173
At 1 January 2021 (As restated)	2,562,899	11,385,162	139,710	2,728,604	3,894,160	(1,061,719)	17,294,333	36,943,149	8,989,420	45,932,569
Profit for the year	—	—	—	—	—	—	4,728,711	4,728,711	247,558	4,976,269
Other comprehensive loss for the year:										
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	(2,268)	—	—	—	—	(2,268)	1,437	(831)
Share of other comprehensive income of associates	—	—	66,792	—	—	—	—	66,792	—	66,792
Share of other comprehensive loss of joint ventures	—	—	(531)	—	—	—	—	(531)	—	(531)
Exchange differences on translation of foreign operations	—	—	—	—	—	(396,246)	—	(396,246)	(13,365)	(409,611)
Total comprehensive income for the year	—	—	63,993	—	—	(396,246)	4,728,711	4,396,458	235,630	4,632,088
Profit appropriation to reserves	—	—	—	103,577	—	—	(103,577)	—	—	—
Establishment of new subsidiaries	—	—	—	—	—	—	—	—	49,666	49,666
Deemed disposal of partial interests in subsidiaries without losing control	—	—	—	—	816,749	—	—	816,749	527,924	1,344,673
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	(259,643)	(259,643)
Capital injections from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	87,676	87,676
Acquisitions of subsidiaries	—	—	—	—	—	—	—	—	444,731	444,731
Disposal of associates	—	—	—	—	(20,015)	—	—	(20,015)	—	(20,015)
Disposal of subsidiaries	—	—	—	(5,875)	—	—	5,875	—	(409,304)	(409,304)
Deemed acquisition of non-controlling interests	—	—	—	—	3,488	—	—	3,488	5,254	8,742
Acquisition of non-controlling interests	—	—	—	—	(990,315)	—	—	(990,315)	(166,955)	(1,157,270)
Subsidiaries' equity-settled share-based payment	—	—	—	—	—	—	—	—	93,259	93,259
Adjustment on the share redemption options granted to non-controlling shareholders of subsidiaries	—	—	—	—	(1,047,473)	—	—	(1,047,473)	(451,484)	(1,498,957)
Share of changes in equity other than comprehensive income and distributions received of associates	—	—	—	—	133,961	—	—	133,961	33,503	167,464
Others	—	—	—	—	5,667	—	—	5,667	4,333	10,000
Final 2020 dividend declared and paid	—	—	—	—	—	—	(1,102,997)	(1,102,997)	—	(1,102,997)
At 31 December 2021	2,562,899	11,385,162	203,703	2,826,306	2,796,222	(1,457,965)	20,822,345	39,138,672	9,184,010	48,322,682

Consolidated
Statement of Changes in Equity

Year ended 31 December 2022

		Attributable to owners of the parent										
	Notes	Issued share capital RMB'000 (note 38)	Treasury shares RMB'000	Share premium RMB'000	Fair value reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022 (As previously reported)		2,562,899	—	11,385,162	203,703	2,826,306	2,784,724	(1,457,965)	20,830,233	39,135,062	9,183,616	48,318,678
Business combination involving enterprises under common control		—	—	—	—	—	11,498	—	(7,888)	3,610	394	4,004
At 1 January 2022 (As restated)		2,562,899	—	11,385,162*	203,703*	2,826,306*	2,796,222*	(1,457,965)*	20,822,345*	39,138,672	9,184,010	48,322,682
Profit for the year		—	—	—	—	—	—	—	3,736,975	3,736,975	216,659	3,953,634
Other comprehensive income for the year:												
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax		—	—	—	(11,665)	—	—	—	—	(11,665)	(630)	(12,295)
Share of other comprehensive loss of associates		—	—	—	(83,592)	—	—	—	—	(83,592)	—	(83,592)
Share of other comprehensive loss of joint ventures		—	—	—	(4,297)	—	—	—	—	(4,297)	—	(4,297)
Exchange differences on translation of foreign operations		—	—	—	—	—	—	200,164	—	200,164	8,063	208,227
Total comprehensive income for the year		—	—	—	(99,554)	—	—	200,164	3,736,975	3,837,585	224,092	4,061,677
Profit appropriation to reserves		—	—	—	—	143,318	—	—	(143,318)	—	—	—
Issue of A shares	(38)	109,258	—	4,400,195	—	—	—	—	—	4,509,453	—	4,509,453
Establishment of new subsidiaries		—	—	—	—	—	—	—	—	—	2,310	2,310
Deemed disposal of partial interests in subsidiaries without losing control		—	—	—	—	—	(10,405)	—	—	(10,405)	28,598	18,193
Dividends declared to non-controlling shareholders of subsidiaries		—	—	—	—	—	—	—	—	—	(143,014)	(143,014)
Capital injections from non-controlling shareholders of subsidiaries		—	—	—	—	—	—	—	—	—	55,215	55,215
Acquisitions of subsidiaries	(40)	—	—	—	—	—	—	—	—	—	377,083	377,083
Disposal of associates		—	—	—	—	—	(9,435)	—	—	(9,435)	—	(9,435)
Disposal of subsidiaries		—	—	—	—	(22)	—	—	22	—	(12,827)	(12,827)
Acquisition of non-controlling interests		—	—	—	—	(16,673)	(1,388,930)	—	—	(1,405,603)	(270,655)	(1,676,258)
Equity-settled share-based payments		—	(53,255)	—	—	—	1,800	—	—	(51,455)	78,294	26,839
Adjustment on the share redemption options granted to non-controlling shareholders of subsidiaries		—	—	—	—	—	(53,198)	—	—	(53,198)	1,171	(52,027)
Share of changes in equity other than comprehensive income and distributions received of associates		—	—	—	—	—	15,592	—	—	15,592	2,175	17,767
Business combination under common control		—	—	(4,000)	—	—	—	—	—	(4,000)	—	(4,000)
Fair value reserve to retained profits		—	—	—	(33,142)	—	—	—	33,142	—	—	—
Final 2021 dividend declared and paid		—	—	—	—	—	—	—	(1,435,465)	(1,435,465)	—	(1,435,465)
At 31 December 2022		2,672,157	(53,255)	15,781,357*	71,007*	2,952,929*	1,351,646*	(1,257,801)*	23,013,701*	44,531,741	9,526,452	54,058,193

* The reserve accounts comprise the consolidated reserves of RMB41,912,839,000 (2021: RMB36,575,773,000) in the consolidated statement of financial position.

Consolidated
Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		4,580,552	6,042,670
Adjustments for:			
Finance costs	9	963,807	822,540
Share of profits and losses of joint ventures		233,925	247,388
Share of profits and losses of associates		(2,069,071)	(2,036,525)
Interest income		(155,005)	(92,321)
Depreciation of property, plant and equipment	7	1,251,033	1,183,584
Depreciation of right-of-use assets	7	259,373	197,154
Amortisation of other intangible assets	7	937,199	567,710
(Gain)/loss on disposal of items of property, plant and equipment and other tangible assets	7	(111,284)	33,656
Gain on disposal of interests in associates and joint ventures	8	(4,238)	(687,245)
Gain on disposal of subsidiaries	8	(351,840)	(2,013,109)
Dividend income from financial assets at fair value through profit or loss	6	(62,972)	(47,894)
Dividend income from equity investments at fair value through other comprehensive income	6	(200)	(8)
Impairment of items of property, plant and equipment	7	4,093	—
Impairment of inventories	7	86,325	64,611
Impairment of other intangible assets	7	2,070	152,775
Impairment losses on financial assets	7	65,369	74,016
Impairment of goodwill	7	180,000	150,000
Impairment of investments in associates	7	—	462,488
Gain on disposal of financial assets at fair value through profit or loss	7	(2,129,616)	(86,432)
Gain on fair value change of other financial liabilities at fair value through profit or loss, net	7	(47,761)	—
Loss/(gain) on fair value change of financial assets at fair value through profit or loss, net	7	2,546,130	(352,299)
Covid-19-related rent concessions from lessors	16	(11,345)	(60)
Equity settled share-based payment	7	54,483	64,286
		6,221,027	4,746,985
Increase in inventories		(1,430,078)	(464,747)
Increase in trade and bills receivables		(1,633,526)	(1,559,614)
(Increase)/decrease in debt investments at fair value through other comprehensive income		(131,043)	200,997
Decrease/(increase) in prepayments, other receivables and other assets		525,215	(436,407)
Increase in trade and bills payables		1,149,998	1,774,559
Increase in contract liabilities		503,864	392,334
Increase in other payables and accruals		539,210	1,088,034
Increase in pledged bank balances and deposits		(837,197)	(951,335)
Cash generated from operations		4,907,470	4,790,806
Income tax paid		(689,899)	(852,991)
Net cash flows from operating activities		4,217,571	3,937,815

Consolidated
Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000 (Restated)
Net cash flows from operating activities		4,217,571	3,937,815
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment, prepaid land lease payments, other intangible assets and other non-current assets		(5,888,839)	(4,972,799)
Acquisitions of subsidiaries, net of cash acquired	40	(1,196,778)	(1,306,799)
Acquisitions of interests in associates and joint ventures		(482,167)	(357,850)
Purchases of financial assets at fair value through profit or loss		(1,019,099)	(1,036,784)
Purchases of equity investments designated at fair value through other comprehensive income		—	(30,000)
Disposal and partial disposal of associates and joint ventures		688,137	1,269,349
Disposal of financial assets at fair value through profit or loss		3,142,906	236,654
Disposal of subsidiaries	41	709,214	1,688,233
Dividends from associates		653,337	615,665
Dividends received from financial assets at fair value through profit or loss		63,962	46,578
Dividends received from equity investments designated at fair value through other comprehensive income		200	8
Proceeds from disposal of items of property, plant and equipment, prepaid land lease payments, other intangible assets and other non-current assets		107,130	97,098
Deposit for construction projects		(13,243)	(20,071)
Decrease in prepayments, other receivables and other assets due from a subsidiary being disposed of		—	373,887
Increase in non-pledged time deposits with original maturity of three months or more when acquired and restricted cash, net		(1,105,185)	(417,562)
Interest received from time deposits		100,988	84,458
Net receipt of loans to associates and joint ventures		178,672	26,798)
Other payments relating to investing activities		(3,273)	(154,352)
Net cash flows used in investing activities		(4,064,038)	(3,857,489)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings	42	30,027,529	29,202,760
Repayment of bank and other borrowings	42	(26,280,141)	(27,391,948)
Principal portion of lease payments	42	(190,802)	(166,879)
Interest paid		(937,336)	(810,802)
Proceeds from issue of A shares, net of share issue expenses		4,509,453	—
Capital injections from non-controlling shareholders of subsidiaries		127,980	962,710
Receipt of capital contribution from limited partners of consolidated Structured entities		449,060	241,980
Dividends paid to owners of the parent		(1,437,034)	(1,103,158)
Dividends paid to non-controlling shareholders of subsidiaries		(141,847)	(291,933)
Acquisitions of non-controlling interests		(1,676,027)	(1,214,240)
(Decrease)/increase of loans from related parties		(10,231)	24,342
Other payments relating to financing activities		(12,129)	(272,240)
Net cash flows from/(used in) financing activities		4,428,475	(819,408)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4,582,008	(739,082)
Cash and cash equivalents at beginning of year		6,459,717	7,333,511
Effect of foreign exchange rate changes, net		128,342	(134,712)
CASH AND CASH EQUIVALENTS AT END OF YEAR	29	11,170,067	6,459,717

1. CORPORATE AND GROUP INFORMATION

The Company was established as a joint stock company with limited liability on 31 May 1995 in the People's Republic of China("PRC"). The Company's A Shares have been listed on the Shanghai Stock Exchange since 7 August 1998. The Company's H shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") since 30 October 2012. The operating term is from 31 December 1998 to an indefinite period.

The holding company of the Company is Shanghai Fosun High Technology (Group) Co., Ltd. ("Fosun High Tech"). The ultimate holding company of the Company is Fosun International Holdings Limited. The ultimate controlling shareholder of the Company is Mr. Guo Guangchang.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the development, manufacture and sale of pharmaceutical products and medical equipment, import and export of medical equipment and the provision of related and other consulting services and investment management.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name*	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
		('000)	Direct %	Indirect %	
Fosun Industrial Co., Ltd. ("Fosun Industrial") (復星實業(香港)有限公司)	PRC/ Hong Kong	Not applicable	100	—	Investment management, medicine sales
Shanghai Fosun Health Technology (Group) Co., Ltd. ("Fosun Health Group") (上海復星健康科技(集團)有限公司)***	PRC/ Chinese Mainland	RMB3,804,350	91.99	7.99	Investment management
Chongqing Yao Pharmaceutical Co., Ltd. ("Yao Pharmaceutical") (重慶藥友製藥有限責任公司)***	PRC/ Chinese Mainland	RMB196,540	—	61.04	Manufacture and trading of medicine
Jiangsu Wanbang Biopharmaceutical (Group) Co., Ltd. ("Jiangsu Wanbang") (江蘇萬邦生化醫藥集團有限責任公司)**	PRC/ Chinese Mainland	RMB480,455	—	100	Manufacture and trading of medicine
Guilin South Pharma Co., Ltd. (桂林南藥股份有限公司)***	PRC/ Chinese Mainland	RMB285,030	—	96.47	Manufacture and trading of medicine
Jiangsu Wanbang Pharmaceutical Marketing&Distribution Company ("Wanbang Marketing&Distribution") (江蘇萬邦醫藥營銷有限公司)**	PRC/ Chinese Mainland	RMB274,000	—	100	Trading of medicine

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Company name*	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. ("Industrial Development") (上海復星醫藥產業發展有限公司)**	PRC/ Chinese Mainland	RMB3,456,600	100	—	Investment management, medicine R&D and Sales
Shine Star (Hubei) Biological Engineering Co., Ltd. (湖北新生源生物工程有限公司)***	PRC/ Chinese Mainland	RMB51,120	—	51	Manufacture and trading of medicine
Chindex Medical Limited ("CML") (美中互利醫療有限公司)	PRC/ Hong Kong	Not applicable	—	100	Investment management
Foshan Fosun Chancheng Hospital Company Limited ("Chancheng Hospital") (佛山復星禪誠醫院有限公司)***	PRC/ Chinese Mainland	RMB50,000	—	87.41	Healthcare services
Suzhou Erye Pharmaceutical Co., Ltd. ("Erye Pharma") (蘇州二葉製藥有限公司)***	PRC/ Chinese Mainland	RMB238,420	—	90	Manufacture and trading of medicine
Gland Pharma Limited ("Gland Pharma")	India	Not applicable	—	57.86	Manufacture and trading of medicine
Tridem Pharma S.A.S ("Tridem Pharma")	France	Not applicable	—	100	Trading of medicine
Fosun Antejin (Chengdu) Biopharmaceutical Co., Ltd. (復星安特金(成都)生物制藥有限公司)***	PRC/ Chinese Mainland	RMB79,931	—	73.01	Manufacture and trading of medicine

* The English names of the companies registered in the PRC represent the best efforts made by the management of the Company in directly translating the Chinese names of these companies.

** These subsidiaries are registered as wholly-owned enterprises under PRC law.

*** These subsidiaries are registered as limited liability companies under PRC law.

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results of the Group for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirement of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain equity investments, debt investments and certain financial assets, which have been measured at fair value. Non-current assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 replace a reference to the *previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The nature and impact of the revised HKFRSs that are applicable to the Group are described below: (Continued)

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1,5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2,4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS
(Continued)

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

The Group measures its certain equity investments, debt investments, certain financial assets and financial liabilities designated upon initial recognition as at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(b) (Continued)

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Land	Not depreciated
Buildings	10 to 45 years
Plant and machinery	3 to 16 years
Medical devices	5 to 10 years
Office equipment	2 to 15 years
Motor vehicles	3 to 10 years
Leasehold improvements	5 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Construction in progress represents buildings, plant and machinery under construction or installation and testing which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction or installation and testing and capitalised borrowing costs on related borrowed funds during the period of construction or installation and testing. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Trademarks

Trademarks with finite useful lives are measured initially at cost and are amortised on the straight-line basis over the respective estimated useful lives. Trademarks with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful lives of trademarks are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Medicine licences, technical know-how and operating concession rights

Medicine licences and technical know-how with finite useful lives are measured initially at cost and are amortised on the straight-line basis over the respective estimated useful lives. Medicine licences, technical know-how and operating concession rights with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful lives of medicine licences, technical know-how and operating concession rights are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Patents

Patents with finite useful lives are measured initially at cost and are amortised on the straight-line basis over the respective estimated useful lives. Patents with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful lives of patents are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Office software

Purchased office software is stated at cost less any impairment losses and is amortised on the straight-line basis over the estimated useful life of 2 to 10 years.

Business networks

Business networks are stated at cost less any impairment losses and are amortised on the straight-line basis over the respective estimated useful lives.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

Leases

The Group assesses at contract inception whether a contract is, or contains, 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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 to 20 years
Plant and machinery	5 to 10 years
Motor vehicles	3 years
Prepaid land lease payments	20 to 50 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

Financial assets at fair value through profit or loss (Continued)

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 360 days past due.

The Group considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Simplified approach

For trade and bills receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade and bills receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement (Continued)

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward carrying contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments (Continued)

Current versus non-current classification (Continued)

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain medical devices and the provision of services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries or areas in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) *Sale of industrial products*

Revenue from the sale of industrial products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the industrial products.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(b) Healthcare services, technology transfer services and consigned processing services

Revenue from rendering healthcare services, technology transfer services and consigned processing services is recognised at the point in time when the services were completed. As the customers can not control the service or consume the benefit and have no obligation to pay until each service completed and accepted.

(c) Rendering of technical consultancy services and maintenance services

Revenue from rendering technical consultancy services and maintenance services is recognised over time, as the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(d) License

The Group grant commercialisation licenses or intellectual property licenses (collectively, the "License") of certain products. The License are either sold separately or bundled together with research and development service to one customer.

Contracts for bundled License and research and development service are comprised of two performance obligations because the promises to transfer the License and provide research and development service are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative stand-alone selling prices of the License and research and development services.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is made received or the a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Company operates a share incentive scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined as at the date of grant using the market stock price of the Company less the grant price, further details of which are given in note 44 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of the period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Retirement benefits

The full-time employees of the Group in the PRC are covered by various government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. The Group contributes a percentage of the employees' salaries to these retirement benefit schemes on a monthly basis. Under these schemes, the Group has no legal obligation for retirement benefits beyond the contributions made. Contributions to these schemes are expensed as incurred.

Accommodation benefits

According to the relevant PRC rules and regulations, the PRC companies now comprising the Group and their employees are each required to make contributions which are in proportion to the salaries and wages of the employees to an accommodation fund administered by government agencies in the PRC. There is no further obligation on the part of the Group except for such contributions to the accommodation fund. Contributions to an accommodation fund administered by government agencies are charged to the statement of profit or loss as and when they are incurred.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

2.5 PRIOR YEAR RESTATEMENT

2.5.1 Restatement of prior years' financial statements as a result of business combinations for entities under common control

In March 2022, Industrial Development, the subsidiary of the Company acquired 87% equity interest in Shanghai Xingchuang Health Technology Co., Ltd. ("Shanghai Xingchuang") held by Shanghai Fosun High Technology (Group) Co., Ltd. at a cash consideration of RMB4,000,000. Shanghai Xingchuang is mainly engaged in businesses including health consulting services (excluding diagnosis and treatment services), and electronic product sales.

In September 2022, Fosun Health, the subsidiary of the Company, and Ningbo Fuji Medical Technology Co., Ltd. ("Ningbo Fuji"), an indirectly owned subsidiary of the Company, acquired 56.66% equity interest in Shanghai Fuyun Health Technology Co., Ltd. ("Shanghai Fuyun") held by Shanghai Fosun High Technology (Group) Co., Ltd. through subscribing the registered capital at a consideration of RMB17,000,000. Shanghai Fuyun is mainly engaged in businesses including health consulting services (excluding diagnosis treatment services), and electronic product sales.

After the completion of the acquisition, these acquired companies were accounted for as subsidiaries of the Company. Since the Company and these acquired companies were under common control of Shanghai Fosun High Technology (Group) Co., Ltd. before and after the completion of the aforesaid acquisition, the business combination of these acquired companies have been accounted for by applying pooling of interest method.

Business combinations arising from transfers of interests in entities that are under the control of the ultimate shareholder that controls the Group are accounted for as if the acquisitions had occurred at the beginning of the earliest date presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the acquired entities' financial statements.

Upon transfer of an interest in an entity to another entity that is under the control of the ultimate shareholder that controls the Group, any difference between the Group's interest in the carrying value of the assets and liabilities and the cost of transfer of interest in the entity is recognised directly in equity.

The consolidated statement of comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full on consolidation.

The opening balances as at 1 January 2021 and comparative information as at 31 December 2021 and for the year ended 31 December 2021 have been restated in the consolidated financial statements.

2.5 PRIOR YEAR RESTATEMENT (Continued)

2.5.2 Quantitative impact on the consolidated financial statements

(i) Restated consolidated statement of comprehensive income for the year ended 31 December 2021:

	As previously reported RMB'000	Effect of prior year adjustments RMB'000 *(note 2.5.1)*	As restated RMB'000
Profit for the year	4,987,438	(11,169)	4,976,269
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	(354,128)	—	(354,128)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	9,947	—	9,947
Total comprehensive income for the year	4,643,257	(11,169)	4,632,088
Attributable to:			
Owners of the parent	4,403,017	(6,559)	4,396,458
Non-controlling interests	240,240	(4,610)	235,630

Details of the restated consolidated statement of comprehensive income for the year ended 31 December 2021 includes the following:

	As previously reported RMB'000	Effect of prior year adjustments RMB'000	As restated RMB'000
Revenue	38,858,085	6,089	38,864,174
Cost of sales	(20,228,269)	(1,516)	(20,229,785)
Other income	375,734	2	375,736
Interest income	233,727	58	233,785
Selling and distribution expenses	(9,098,892)	(1,911)	(9,100,803)
Administrative expenses	(3,303,290)	(11,053)	(3,314,343)
Research and development expenses	(3,834,483)	(2,820)	(3,837,303)
Other expenses	(1,163,734)	(11)	(1,163,745)
Finance costs	(822,534)	(6)	(822,540)
Income tax expense	(1,066,400)	(1)	(1,066,401)

2.5 PRIOR YEAR RESTATEMENT (Continued)

2.5.2 Quantitative impact on the consolidated financial statements (Continued)

(ii) Restated consolidated statement of financial position as at 31 December 2021:

	As previously reported	Effect of prior year adjustments	As restated
	RMB'000	RMB'000	RMB'000
Total non-current assets	62,812,269	259	62,812,528
Total current assets	30,424,633	12,273	30,436,906
Total current liabilities	29,309,945	8,528	29,318,473
Total non-current liabilities	15,608,279	—	15,608,279
Equity attributable to owners of the parent	39,135,062	3,610	39,138,672
Non-controlling interests	9,183,616	394	9,184,010
Total equity	48,318,678	4,004	48,322,682

Details of the restated consolidated statement of financial position as at 31 December 2021 includes the followings:

	As previously reported	Effect of prior year adjustments	As restated
	RMB'000	RMB'000	RMB'000
Total non-current assets			
Property, plant and equipment	13,011,818	257	13,012,075
Other non-current assets	2,013,740	2	2,013,742
		259	
Total current assets			
Inventories	5,472,315	232	5,472,547
Trade and bills receivables	6,045,460	487	6,045,947
Prepayments, deposits and other receivables	3,466,043	2,487	3,468,530
Cash and bank balances	10,308,157	9,067	10,317,224
		12,273	
Total current liabilities			
Trade and bills payables	5,063,661	32	5,063,693
Other payables and accruals	7,020,048	4,912	7,024,960
Contract liabilities	1,150,274	3,584	1,153,858
		8,528	

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification of financial assets

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial assets' contractual cash flow characteristics: (1) management needs to make significant judgement when assessing its business model, including but is not limited to (a) how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; (b) the risks that affect the performance of the business model and the financial assets held within that business model and, in particular, the way in which those risks are managed; and (c) how managers of the business are compensated. In determining whether cash flows are going to be realised by collecting the financial assets' contractual cash flows, management needs to consider the reasons for the sales, timing of sales, frequency and value in prior periods; and (2) management needs to make significant judgement on whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, such as whether contractual cash flows could be significantly different from the benchmark cash flows involves judgement when assessing a modified time value of a money element, and whether the fair value of prepayment features is insignificant also requires judgement when assessing the financial assets with prepayment features.

Determining the method to estimate variable consideration

Certain contracts include variable consideration based on the future events. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

Given that the payments of certain variable consideration are not within the control of the Group, such as regulatory approvals, relevant consideration is not considered until relevant approvals are obtained. The Group determines that the most likely amount method is the appropriate method to estimate the variable consideration. When it is highly probable that the income corresponding to the relevant consideration will not be significantly reversed, the uncertainty of the variable consideration is eliminated and the variable consideration will be included in the transaction price. At the end of each reporting period, the Group will re-evaluate the probability of the payment of the variable consideration, and if necessary, adjust the estimation of the overall transaction price.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2022 was RMB10,337,053,000 (2021: RMB9,399,987,000). Further details are given in note 17 to the financial statements.

Provision for expected credit losses on trade and bills receivables

The Group uses a provision matrix to calculate ECLs for trade and bills receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade and bill receivables cost is disclosed in note 26 to the financial statements, respectively.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite-life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and sale. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customers' needs and prices change when the products' expiration date is approaching. Management reassesses these estimates at the end of the reporting period.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 50 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2022 was RMB1,911,199,000 (2021: RMB1,614,496,000). Further details are included in note 28 to the financial statements.

Valuation of the identifiable assets and liabilities through business combinations and the recognised corresponding goodwill

The Group completed certain business combinations during the year. The purchase prices are allocated between the fair values of the identifiable assets acquired and the liabilities assumed which result in the recognition of goodwill. Management, assisted by the external appraisers, evaluated the fair values of identifiable assets acquired and liabilities assumed and completed the purchase price allocation. The fair value determination in the accounting for business combinations relied on significant management estimation in respect of fair value assessments.

Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Useful lives of intangible assets (other than goodwill)

The Group determines the estimated useful lives for its intangible assets. This estimate is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the amortisation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Unrecognised deductible temporary differences and tax losses are set out in note 22 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding to future economic benefits.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

(a) the pharmaceutical manufacturing segment mainly engages in the production, sale and R&D of medicine;

(b) the medical devices and medical diagnosis segment mainly engages in the production and sale of medical devices and diagnostic products;

(c) the healthcare service segment mainly engages in the provision of healthcare service and hospital management;

(d) the pharmaceutical distribution and retail segment mainly engages in the retail and wholesale of medicine; and

(e) the other business operations segment comprises businesses other than those mentioned above.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss after tax. The adjusted profit or loss after tax is measured consistently with the Group's profit or loss after tax except that fair value gain or loss on financial assets at fair value through profit or loss, as well as head office and investment management entities income and expenses are excluded from such measurement.

Intersegment revenues are eliminated on consolidation. Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Segment assets exclude financial assets at fair value through profit or loss, equity investments designated at fair value through other comprehensive income and unallocated head office and investment management entities assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, interest payable and unallocated head office and investment management entities liabilities as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2022

	Pharmaceutical manufacturing RMB'000	Medical devices and medical diagnosis RMB'000	Healthcare Service RMB'000	Pharmaceutical distribution and retail RMB'000	Other business operations RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	30,693,258	6,932,915	6,075,538	—	109,674	—	43,811,385
Intersegment sales	954,626	304,941	78,056	—	45,868	(1,383,491)	—
Total revenue	31,647,884	7,237,856	6,153,594	—	155,542	(1,383,491)	43,811,385
Segment results*	3,794,758	521,179	(621,692)	—	(26,780)	(220,272)	3,447,193
Other income	267,348	35,989	59,598	—	59,688	—	422,623
Other gains	431,145	248,503	52,034	—	108,516	166	840,364
Interest income	198,326	21,992	25,395	—	462	(14,275)	231,900
Finance costs	(178,992)	(29,728)	(196,929)	—	(18,722)	113,528	(310,843)
Other expenses/Impairment losses on financial assets	(442,881)	(92,453)	(49,762)	—	8,367	(2,251)	(578,980)
Share of profits and losses of:							
Joint ventures	(233,692)	—	2,153	—	(2,386)	—	(233,925)
Associates	41,275	170,200	(33,971)	2,114,127	(222,560)	—	2,069,071
Unallocated other income, interest income, other gains, finance cost, and expenses							(1,306,851)
Profit/(loss) before tax	3,877,287	875,682	(763,174)	2,114,127	(93,415)	(123,104)	4,580,552
Tax	(458,062)	(104,704)	(28,403)	—	(24,851)	—	(616,020)
Unallocated tax							(10,898)
Profit/(loss) for the year	3,419,225	770,978	(791,577)	2,114,127	(118,266)	(123,104)	3,953,634
Segment assets	57,395,126	10,724,490	11,681,978	17,365,180	5,493,057	(3,375,456)	99,284,375
Including:							
Investments in joint ventures	224,933	—	—	—	5,673	—	230,606
Investments in associates	887,888	1,366,687	677,140	17,365,180	2,566,554	—	22,863,449
Unallocated assets							7,828,815
Total assets							107,113,190
Segment liabilities	25,229,301	3,740,579	5,791,506	—	1,883,079	(17,390,381)	19,254,084
Unallocated liabilities							33,800,913
Total liabilities							53,054,997
Other segment information:							
Depreciation and amortisation	1,705,717	267,618	449,484	—	73,512	—	2,496,331
Impairment losses recognised in the statement of profit or loss, net	281,502	76,659	34,048	—	(10,000)	—	382,209
Impairment losses recognised in the statement of profit or loss, net (unallocated)							(44,352)
Capital expenditure**	4,633,126	507,330	530,989	—	128,957	—	5,800,402

* Segment results are obtained as segment revenue less cost of sales, selling and distribution expenses and administrative expenses and research and development expenses.

** Capital expenditure consists of additions to property, plant and equipment, other intangible assets and prepaid land lease payments included in right-of-use assets (not including the addition from acquisitions of subsidiaries).

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2021 (Restated)

	Pharmaceutical manufacturing RMB'000	Medical devices and medical diagnosis RMB'000	Healthcare Service RMB'000	Pharmaceutical distribution and retail RMB'000	Other business operations RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	28,771,650	5,926,560	4,114,652	—	51,312	—	38,864,174
Intersegment sales	308,140	35,311	70,915	—	29,991	(444,357)	—
Total revenue	29,079,790	5,961,871	4,185,567	—	81,303	(444,357)	38,864,174
Segment results*	2,963,741	825,648	(366,706)	—	32,913	(259,731)	3,195,865
Other income	293,101	26,947	44,991	—	52	—	365,091
Other gains	405,285	1,896,659	217,403	—	562,015	(113,095)	2,968,267
Interest income	172,410	28,007	26,696	—	560	(23,120)	204,553
Finance costs	(177,440)	(26,267)	(140,175)	—	(10,446)	118,060	(236,268)
Other expenses/Impairment losses on financial assets	(344,234)	(235,561)	(84,417)	—	(373,189)	—	(1,037,401)
Share of profits and losses of:							
Joint ventures	(247,973)	—	332	—	253	—	(247,388)
Associates	90,913	129,890	(87,083)	1,947,910	(45,105)	—	2,036,525
Unallocated other income, interest income, other gains, finance cost, and expenses							(1,206,574)
Profit/(loss)before tax	3,155,803	2,645,323	(388,959)	1,947,910	167,053	(277,886)	6,042,670
Tax	(526,030)	(645,719)	(43,624)	—	(52,450)	—	(1,267,823)
Unallocated tax							201,422
Profit/(loss)for the year	2,629,773	1,999,604	(432,583)	1,947,910	114,603	(277,886)	4,976,269
Segment assets	49,252,503	8,659,936	10,110,712	15,853,096	3,701,033	(2,408,016)	85,169,264
Including:							
Investments in joint ventures	272,802	—	832	—	9,203	—	282,837
Investments in associates	1,911,458	1,123,378	1,495,090	15,853,096	1,960,968	—	22,343,990
Unallocated assets							8,080,170
Total assets							93,249,434
Segment liabilities	21,492,287	2,677,604	4,855,573	—	1,261,910	(14,388,666)	15,898,708
Unallocated liabilities							29,028,044
Total liabilities							44,926,752
Other segment information:							
Depreciation and amortisation	1,301,381	270,636	343,167	—	33,264	—	1,948,448
Impairment losses recognised in the statement of profit or loss, net	260,808	212,124	57,882	—	373,075	—	903,889
Capital expenditure**	3,458,408	295,976	850,447	—	129,602	—	4,734,433

* Segment results are obtained as segment revenue less cost of sales, selling and distribution expenses and administrative expenses and research and development expenses.

** Capital expenditure consists of additions to property, plant and equipment, other intangible assets and prepaid land lease payments included in right-of-use assets (not including the addition from acquisitions of subsidiaries).

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2022 RMB'000	2021 RMB'000 (Restated)
Chinese Mainland	29,873,128	25,265,165
Overseas countries and regions	13,938,257	13,599,009
	43,811,385	38,864,174

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2022 RMB'000	2021 RMB'000 (Restated)
Chinese Mainland	57,080,083	50,321,163
Overseas countries and regions	11,449,538	10,763,767
	68,529,621	61,084,930

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue amounting to 10% or more of the Group's total revenue was derived from sales to a single related party for the year ended 31 December 2022 of 13% (For the year ended 31 December 2021: None).

5. REVENUE

An analysis of the Group's revenue is as follows:

	2022 RMB'000	2021 RMB'000 (Restated)
Revenue from contracts with customers	43,778,775	38,827,067
Revenue from other sources		
Gross rental income	32,610	37,107
	43,811,385	38,864,174

5. REVENUE (Continued)

(i) Disaggregated revenue information

For the year ended 31 December 2022

Segments	Pharmaceutical manufacturing RMB'000	Medical devices and medical diagnosis RMB'000	Healthcare Service RMB'000	Pharmaceutical distribution and retail RMB'000	Other business operations RMB'000	Total RMB'000
Types of goods or services						
Sale of medical products	29,500,816	6,677,320	900,558	—	14,402	37,093,096
Rendering of services and others	1,176,715	241,850	5,170,891	—	71,616	6,661,072
Sale of materials	11,782	12,825	—	—	—	24,607
Total revenue from contracts with customers	30,689,313	6,931,995	6,071,449	—	86,018	43,778,775
Geographical markets						
Chinese Mainland	20,776,665	2,912,966	6,070,148	—	82,759	29,842,538
Overseas countries and regions	9,912,648	4,019,029	1,301	—	3,259	13,936,237
Total revenue from contracts with customers	30,689,313	6,931,995	6,071,449	—	86,018	43,778,775
Timing of revenue recognition						
Goods and materials transferred at a point in time	29,512,598	6,690,145	900,558	—	14,402	37,117,703
Services transferred at a point in time	914,314	115,752	5,170,891	—	71,616	6,272,573
Services transferred over time	262,401	126,098	—	—	—	388,499
Total revenue from contracts with customers	30,689,313	6,931,995	6,071,449	—	86,018	43,778,775

5. REVENUE (Continued)

(i) Disaggregated revenue information (Continued)

For the year ended 31 December 2021 (Restated)

Segments	Pharmaceutical manufacturing RMB'000	Medical devices and medical diagnosis RMB'000	Healthcare Service RMB'000	Pharmaceutical distribution and retail RMB'000	Other business operations RMB'000	Total RMB'000
Types of goods or services						
Sale of medical products	27,787,940	5,760,396	183,029	—	6,089	33,737,454
Rendering of services and others	869,645	128,754	3,928,883	—	17,805	4,945,087
Sale of materials	111,035	32,722	769	—	—	144,526
Total revenue from contracts with customers	28,768,620	5,921,872	4,112,681	—	23,894	38,827,067
Geographical markets						
Chinese Mainland	18,112,804	2,983,004	4,111,252	—	21,067	25,228,127
Overseas countries and regions	10,655,816	2,938,868	1,429	—	2,827	13,598,940
Total revenue from contracts with customers	28,768,620	5,921,872	4,112,681	—	23,894	38,827,067
Timing of revenue recognition						
Goods and materials transferred at a point in time	27,898,975	5,793,118	183,798	—	6,089	33,881,980
Services transferred at a point in time	620,861	23,002	3,928,883	—	17,805	4,590,551
Services transferred over time	248,784	105,752	—	—	—	354,536
Total revenue from contracts with customers	28,768,620	5,921,872	4,112,681	—	23,894	38,827,067

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in contract liabilities as at the beginning of the reporting period:		
Advances from customers	**1,115,327**	987,844
Warranty services	**38,531**	32,465
	1,153,858	1,020,309

5. REVENUE (Continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied at the point when control of the asset is transferred to the customer.

Rendering of services

— The performance obligation is recognized at the point in time when the service is provided.

— The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of installation and customer acceptance.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2022	2021
	RMB'000	RMB'000 (Restated)
Amounts expected to be recognised as revenue:		
Within one year	**1,544,763**	1,153,858
After one year	**354,413**	239,011
	1,899,176	1,392,869

The amounts disclosed above do not include variable consideration which is constrained.

6. OTHER INCOME

	2022	2021
	RMB'000	RMB'000 (Restated)
Dividend income from financial assets at fair value through profit or loss	**62,972**	47,894
Dividend income from equity investments at fair value through other comprehensive income	**200**	8
Government grants	**378,369**	323,277
Others	**5,785**	4,557
	447,326	375,736

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	**2022 RMB'000**	2021 RMB'000 (Restated)
Cost of inventories sold		**18,400,615**	16,618,199
Cost of services provided		**4,769,075**	3,611,586
Staff costs (including directors', supervisors' and chief executive's remuneration *(note 10)*):			
Salaries and other staff costs		**8,498,401**	6,846,154
Retirement benefits:			
Defined contribution fund		**538,402**	439,064
Accommodation benefits:			
Defined contribution fund		**319,781**	257,397
Share-based payment expense		**54,483**	64,286
		9,411,067	7,606,901
Research and development expenses:			
Current year expenditure excluding amortisation of other intangible assets		**4,007,549**	3,720,609
Less: Government grants for R&D projects*		**(90,433)**	(72,032)
		3,917,116	3,648,577
Auditors' remuneration		**4,760**	4,760
Depreciation of property, plant and equipment		**1,251,033**	1,183,584
Amortisation of other intangible assets		**937,199**	567,710
Provision for impairment of property, plant and equipment	15	**4,093**	—
Provision for impairment of inventories		**86,325**	64,611
Impairment losses on financial assets	23 & 26 & 27	**65,369**	74,016
Provision for impairment of goodwill	17	**180,000**	150,000
Provision for other intangible assets	18	**2,070**	152,775
Provision for impairment of investments in associates	20	**—**	462,488
Depreciation of right-of-use assets	16	**259,373**	197,154
Lease payments not included in the measurement of lease liabilities		**82,415**	56,780
Gain on disposal of financial assets at fair value through profit or loss	8	**(2,129,616)**	(86,432)
Gain on fair value change of other financial liabilities at fair value through profit or loss, net	8	**(47,761)**	—
Loss/(gain) on fair value change of financial assets at fair value through profit or loss, net		**2,546,130**	(352,299)
Gain on disposal of interests in associates and joint ventures	8	**(4,238)**	(687,245)
Foreign exchange gain, net		**(62,360)**	(154,627)
Gain on disposal of subsidiaries	8	**(351,840)**	(2,013,109)
(Gain)/loss on disposal of items of property, plant and equipment and other intangible assets		**(111,284)**	33,656
Provision for the loss contract		**—**	191,271
Donations		**60,312**	36,063

* The Group received various government grants related to research and development projects. The government grants received have been recorded in other income. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the consolidated statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

8. OTHER GAINS

	2022 RMB'000	2021 RMB'000
Gain on disposal of interests in associates and joint ventures	4,238	687,245
Gain on disposal of financial assets at fair value through profit or loss	2,129,616	86,432
Gain on fair value change of financial assets at fair value through profit or loss, net	—	352,299
Gain on fair value change of other financial liabilities at fair value through profit or loss, net	47,761	—
Foreign exchange gain, net	62,360	154,627
Gain on disposals of subsidiaries	351,840	2,013,109
Gain on disposal of items of property, plant and equipment and other intangible assets	125,602	—
Others	35,460	28,661
	2,756,877	3,322,373

9. FINANCE COSTS

	2022 RMB'000	2021 RMB'000 (Restated)
Interest on bank loans and other borrowings (excluding lease liabilities)	965,112	819,185
Interest on lease liabilities	44,459	27,836
	1,009,571	847,021
Less: Interest capitalised *(note 15)*	(45,764)	(24,481)
Interest expenses, net	963,807	822,540

10. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors', supervisors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383 (1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 RMB'000	2021 RMB'000
Fees	1,200	1,202
Other emoluments:		
Salaries, allowances and benefits in kind	11,301	8,391
Performance related bonuses	39,246	31,735
Pension scheme contributions	298	192
	50,845	40,318
	52,045	41,520

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 44 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2022 RMB'000	2021 RMB'000
Mr. Jiang Xian*	—	160
Dr. Huang Tianyou**	—	160
Ms. Li Ling	300	300
Mr. Tang Guliang	300	300
Mr. Wang Quandi***	300	141
Mr. Yu Zishan****	300	141
	1,200	1,202

* Mr. Jiang Xian retired as an independent non-executive director of the Company in June 2021.

** Dr. Huang Tianyou retired as an independent non-executive director of the Company in June 2021.

*** Mr. Wang Quandi was elected as an independent non-executive director of the Company in June 2021.

**** Mr. Yu Zishan was elected as an independent non-executive director of the Company in June 2021.

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

10. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors, supervisors and the chief executive

	Fees	Salaries, allowances, and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
2022	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Wu Yifang******	—	3,055	9,563	55	12,673
Mr. Wang Kexin*	—	2,660	16,774	57	19,491
Ms. Guan Xiaohui**	—	2,269	6,368	62	8,699
Mr. Wen Deyong***	—	2,233	5,649	62	7,944
	—	10,217	38,354	236	48,807
Mr. Wu Yifang retired as Chief Executive of the Company in June 2022, and Mr. Wen Deyong was elected as Chief Executive of the Company in June 2022.					
Non-executive directors					
Mr. Chen Qiyu	—	—	—	—	—
Mr. Yao Fang	—	—	—	—	—
Mr. Xu Xiaoliang	—	—	—	—	—
Mr. Pan Donghui	—	—	—	—	—
	—	—	—	—	—
Supervisors					
Ms. Ren Qian	—	1,084	892	62	2,038
Mr. Guan Yimin	—	—	—	—	—
Mr. Cao Genxing	—	—	—	—	—
	—	1,084	892	62	2,038
	—	11,301	39,246	298	50,845
2021					
Executive directors					
Mr. Wu Yifang	—	2,947	8,037	40	11,024
Mr. Wang Kexin*	—	2,260	4,928	48	7,236
Ms Guan Xiaohui**	—	2,176	2,712	52	4,940
	—	7,383	15,677	140	23,200
Mr. Wu Yifang is also Chief Executive of the Company.					
Non-executive directors					
Mr. Chen Qiyu	—	—	6,000	—	6,000
Mr. Yao Fang	—	—	9,225	—	9,225
Mr. Gong Ping****	—	—	—	—	—
Mr. Pan Donghui	—	—	—	—	—
Mr. Xu Xiaoliang*	—	—	—	—	—
Mr. Zhang Houlin****	—	—	—	—	—
	—	—	15,225	—	15,225
Supervisors					
Ms. Ren Qian	—	1,008	833	52	1,893
Mr. Guan Yimin	—	—	—	—	—
Mr. Cao Genxing	—	—	—	—	—
	—	1,008	833	52	1,893
	—	8,391	31,735	192	40,318

* Mr. Wang Kexin was elected as an executive director of the Company in December 2021.

** Ms. Guan Xiaohui was elected as an executive director of the Company in December 2021.

*** Mr. Wen Deyong was elected as Chief Executive of the Company in June 2022, and also elected as an executive director of the Company in August 2022.

**** Mr. Gong Ping retired as a non-executive director of the Company in November 2021.

***** Mr. Zhang Houlin retired as a non-executive director of the Company in November 2021.

****** Mr. Wu Yifang retired as Chief Executive of the Company in June 2022.

There was no arrangement under which a director, a supervisor or the chief executive waived or agreed to waive any remuneration during the year (2021: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors including the chief executive (2021: three directors including the chief executive), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining two (2021: two) highest paid employees who are not a director, supervisor, or the chief executive of the Company are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	3,130	4,638
Performance related bonuses	23,080	16,773
Pension scheme contributions	165	151
	26,375	21,562

The number of non-director, non-supervisor and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2022	2021
HKD8,500,001 to HKD9,000,000	1	1
HKD17,000,001 to HKD17,500,000	—	1
HKD19,000,001 to HKD19,500,000	1	—
	2	2

12. INCOME TAX

The provision for Mainland China current income tax is based on a statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China, which are taxed at preferential rates of 0% to 20%.

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated taxable profits arising in Hong Kong during the year. The provision of current income tax of Sisram Medical Limited ("Sisram Medical"), a subsidiary of the Company incorporated in Israel, is based on a preferential rate of 6%. The provision of current income tax of Nova Medical Israel Ltd. ("Nova"), a subsidiary of the Company incorporated in Israel, is based on a statutory rate of 23%. The provision of current tax of Gland Pharma Limited ("Gland Pharma"), a subsidiary of the Company incorporated in India, was based on a statutory rate of 25.17%. The provision of current tax of Breas Medical Holdings AB ("Breas"), a subsidiary of the Company incorporated in Sweden, is based on a statutory rate of 20.6%. The provision of current tax of Tridem Pharma S.A.S ("Tridem Pharma"), a subsidiary of the Company incorporated in France, is based on a statutory rate of 26.5%.

12. INCOME TAX (Continued)

	2022 RMB'000	2021 RMB'000 (Restated)
Current	815,416	1,016,218
Deferred *(note 22)*	(188,498)	50,183
Total tax charge for the year	626,918	1,066,401

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries in which the company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2022 RMB'000	2021 RMB'000 (Restated)
Profit before tax	4,580,552	6,042,670
Tax at the statutory tax rate	1,116,306	1,425,523
Lower tax rates for certain entities	(211,429)	(124,361)
Adjustments in respect of current tax of previous years	(2,187)	9,907
Profit attributable to joint ventures and associates	(466,174)	(435,547)
Income not subject to tax	(102,418)	(139,093)
Expenses not deductible for tax	52,380	49,619
Influence of the change of tax rate on the deferred income tax balance	12	955
Tax losses utilised from previous periods	(325,027)	(289,627)
Tax incentives on eligible expenditures	(320,828)	(228,676)
Deductible temporary differences and tax losses not recognised	886,283	797,701
Tax charge at the Group's effective rate	626,918	1,066,401

13. DIVIDENDS

Cash dividend

	2022 RMB'000	2021 RMB'000
Proposed final — RMB0.42 (2021: RMB0.56) per ordinary share	1,122,306	1,435,223

The Company proposed to distribute a cash dividend of RMB0.42 (inclusive of tax) for each ordinary share to all shareholders whose names are registered in the register of members and are entitled to participate in the distribution on the record date. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and the final dividend amount will be determined by the number of the ordinary shares on the dividend payment date.

The amount of the proposed final dividend of RMB1,122,306,000 is calculated based on the total number of ordinary shares of the Company of 2,672,156,611 shares on the record of 27 March 2023.

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,607,380,489 (2021: 2,562,898,545) in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2022 RMB'000	2021 RMB'000 (Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	**3,736,975**	4,728,711

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,607,380,489**	2,562,898,545
Effect of dilution — weighted average number of ordinary shares:		
— Restricted share unit scheme	**4,490**	—
	2,607,384,979	2,562,898,545

15. PROPERTY, PLANT AND EQUIPMENT

	Year ended 31 December 2022								
	Land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Medical devices RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:									
At 1 January 2022	203,685	6,608,208	7,531,336	806,251	743,166	118,507	763,868	3,617,705	20,392,726
Additions	—	36,639	336,791	114,539	122,735	14,387	133,953	2,819,579	3,578,623
Acquisitions of subsidiaries *(note 40)*	—	274,744	298,000	58,183	12,758	2,024	11,087	386,776	1,043,572
Disposals	—	(36,913)	(120,768)	(33,831)	(49,094)	(6,355)	(21,783)	(43,141)	(311,885)
Disposal of subsidiaries *(note 41)*	—	(107,193)	(85,380)	—	(4,648)	(2,120)	(178)	(597)	(200,116)
Transferred from construction in progress	—	966,113	725,370	99,371	33,122	2,870	56,779	(1,883,625)	—
Exchange realignment	(2,373)	(4,901)	(12,716)	576	1,293	(668)	—	—	(18,789)
At 31 December 2022	201,312	7,736,697	8,672,633	1,045,089	859,332	128,645	943,726	4,896,697	24,484,131
Accumulated depreciation:									
At 1 January 2022	—	(2,271,700)	(3,800,039)	(534,926)	(406,169)	(73,686)	(288,555)	—	(7,375,075)
Depreciation charge for the year	—	(274,606)	(681,868)	(106,768)	(85,929)	(14,992)	(111,695)	—	(1,275,858)
Acquisitions of subsidiaries *(note 40)*	—	(173,024)	(209,604)	(20,780)	(9,145)	(567)	(1,110)	—	(414,230)
Disposals	—	15,507	95,163	18,933	36,149	5,643	11,822	—	183,217
Disposal of subsidiaries *(note 41)*	—	63,721	52,713	—	3,331	1,415	45	—	121,225
Exchange realignment	—	2,673	3,227	(453)	(1,402)	588	—	—	4,633
At 31 December 2022	—	(2,637,429)	(4,540,408)	(643,994)	(463,165)	(81,599)	(389,493)	—	(8,756,088)
Impairment losses:									
At 1 January 2022	—	(3,272)	(2,028)	—	(276)	—	—	—	(5,576)
Charge for the year	—	—	(2,964)	—	(1,129)	—	—	—	(4,093)
Disposals	—	—	415	—	—	—	—	—	415
At 31 December 2022	—	(3,272)	(4,577)	—	(1,405)	—	—	—	(9,254)
Net carrying amount:									
At 31 December 2022	201,312	5,095,996	4,127,648	401,095	394,762	47,046	554,233	4,896,697	15,718,789
At 1 January 2022	203,685	4,333,236	3,729,269	271,325	336,721	44,821	475,313	3,617,705	13,012,075

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Year ended 31 December 2021 (Restated)								
	Land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Medical devices RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:									
At 1 January 2021	196,579	6,362,326	6,665,391	730,994	755,531	120,679	500,014	4,121,545	19,453,059
Additions	16,728	45,045	418,351	111,198	133,978	12,072	123,339	2,210,937	3,071,648
Acquisitions of subsidiaries	—	—	21,098	—	4,217	752	25,938	262,271	314,276
Disposals	—	(115,916)	(203,284)	(49,633)	(48,042)	(15,255)	(10,245)	(34,430)	(476,805)
Disposal of subsidiaries *(note 41)*	—	(9,101)	(49,422)	(155)	(121,402)	(3,312)	(16,279)	(1,430,709)	(1,630,380)
Classified as assets held for sale	—	(206,442)	(51,728)	—	—	—	—	—	(258,170)
Transferred from construction in progress	—	543,979	786,125	14,221	22,091	4,392	141,101	(1,511,909)	—
Exchange realignment	(9,622)	(11,683)	(55,195)	(374)	(3,207)	(821)	—	—	(80,902)
At 31 December 2021	203,685	6,608,208	7,531,336	806,251	743,166	118,507	763,868	3,617,705	20,392,726
Accumulated depreciation:									
At 1 January 2021	—	(2,295,197)	(3,431,330)	(492,529)	(397,155)	(73,977)	(177,307)	—	(6,867,495)
Depreciation charge for the year	—	(258,354)	(622,068)	(89,922)	(86,085)	(13,096)	(114,059)	—	(1,183,584)
Acquisitions of subsidiaries	—	—	(7,109)	—	(693)	(597)	(14,417)	—	(22,816)
Disposals	—	74,290	167,978	47,190	33,163	11,613	2,500	—	336,734
Disposal of subsidiaries *(note 41)*	—	4,752	22,205	38	42,390	1,869	14,728	—	85,982
Classified as assets held for sale	—	197,759	48,767	—	—	—	—	—	246,526
Exchange realignment	—	5,050	21,518	297	2,211	502	—	—	29,578
At 31 December 2021	—	(2,271,700)	(3,800,039)	(534,926)	(406,169)	(73,686)	(288,555)	—	(7,375,075)
Impairment losses:									
At 1 January 2021	—	(3,272)	(2,143)	—	(276)	—	—	—	(5,691)
Disposals	—	—	115	—	—	—	—	—	115
At 31 December 2021	—	(3,272)	(2,028)	—	(276)	—	—	—	(5,576)
Net carrying amount:									
At 31 December 2021	203,685	4,333,236	3,729,269	271,325	336,721	44,821	475,313	3,617,705	13,012,075
At 1 January 2021	196,579	4,063,857	3,231,918	238,465	358,100	46,702	322,707	4,121,545	12,579,873

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The carrying amounts of construction in progress of the Group included capitalised interest of approximately RMB45,764,000 (2021: RMB24,481,000) charged for the year (note 9) prior to being transferred to property, plant and equipment.

As at 31 December 2022, the Group has not obtained title certificates for certain of the buildings with an aggregate net carrying amount of approximately RMB50,436,000 (2021: RMB58,520,000). The directors were of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2022.

As at 31 December 2022, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB1,280,172,000 (2021: RMB550,040,000) were pledged to secure certain of the Group's bank and other borrowings (note 33).

As at 31 December 2022, the net carrying values of the group's property, plant and equipment leased out for operating purposes are as follows:

	2022	2021
	RMB'000	RMB'000
Buildings	**66,193**	72,110

16. LEASE

The Group as a lessee

The Group has lease contracts for various items of land, buildings, plant and machinery and motor vehicles used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 20 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings have lease terms between 2 to 20 years, plant and machinery generally have lease terms between 5 and 10 years, while motor vehicles generally have lease terms of 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

16. LEASE (Continued)

The Group as a lessee (Continued)

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Prepaid Land lease payments RMB'000	Total RMB'000
As at 1 January 2022	703,521	36,609	7,218	1,822,448	2,569,796
Additions	232,088	—	5,196	42,809	280,093
Acquisition of subsidiaries	70,232	—	—	173,197	243,429
Disposal	(12,997)	(204)	—	(6,436)	(19,637)
Disposal of subsidiaries	—	—	—	(14,031)	(14,031)
Depreciation charge	(204,552)	(5,043)	(5,482)	(44,296)	(259,373)
Effect of foreign exchange rate changes, net	36,919	—	33	—	36,952
As at 31 December 2022	825,211	31,362	6,965	1,973,691	2,837,229

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Prepaid Land lease payments RMB'000	Total RMB'000
As at 1 January 2021	683,089	50,133	12,315	1,920,865	2,666,402
Additions	198,974	—	—	138,175	337,149
Acquisition of subsidiaries	1,282	—	—	24,148	25,430
Disposal	(22,449)	(5,792)	—	—	(28,241)
Disposal of subsidiaries	(8,329)	—	—	(187,883)	(196,212)
Classified as assets held for sale	—	—	—	(32,483)	(32,483)
Depreciation charge	(144,174)	(7,732)	(4,874)	(40,374)	(197,154)
Effect of foreign exchange rate changes, net	(4,872)	—	(223)	—	(5,095)
As at 31 December 2021	703,521	36,609	7,218	1,822,448	2,569,796

As at 31 December 2022, certain of the Group's prepaid land lease payments with a net carrying amount of RMB505,506,000 (2021: RMB513,993,000) were pledged to secure certain of the Group's bank and other borrowings (note 33).

16. LEASE (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	789,856	778,375
New leases	224,653	198,974
Acquisition of subsidiaries	81,227	1,311
Accretion of interest recognised during the year	44,459	27,836
Covid-19-related rent concessions from lessors	(11,345)	(60)
Payments	(190,802)	(166,879)
Lease termination	(16,903)	(40,822)
Effect of foreign exchange rate changes, net	8,253	(8,879)
As at 31 December	929,398	789,856
Analysed into:		
Current portion	184,406	141,496
Non-current portion	744,992	648,360

There are no lease liabilities due to the Group's other related companies (2021: Nil).

The maturity analysis of lease liabilities is disclosed in note 34 to the financial statements.

The Group has applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain building, plant and equipment during the year.

16. LEASE (Continued)

The Group as a lessee (Continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	44,459	27,836
Depreciation charge of right-of-use assets	259,373	197,154
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2022	74,223	56,780
Expense relating to leases of low-value assets	8,192	—
Covid-19-related rent concessions from lessors	(11,345)	(60)
Total amount recognised in profit or loss	374,902	281,710

The Group as a lessor

The Group leases part of its buildings (note 15) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB32,610,000 (2021: RMB37,107,000), details of which are included in note 5 to the financial statements.

At 31 December 2022, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022 RMB'000	2021 RMB'000
Within one year	14,621	23,695
After one year but within two years	6,778	11,455
After two years but within three years	6,391	3,155
Over three years	42,845	41,889
	70,635	80,194

17. GOODWILL

	2022 RMB'000	2021 RMB'000
Cost at 1 January, net of accumulated impairment	9,399,987	8,677,249
Acquisitions of subsidiaries	739,361	1,024,242
Impairment during the year	(180,000)	(150,000)
Disposal of subsidiaries	(59,244)	(24,241)
Exchange realignment	436,949	(127,263)
Net carrying amount at 31 December	10,337,053	9,399,987

	2022 RMB'000	2021 RMB'000
At 31 December		
Cost	11,024,553	9,907,487
Accumulated impairment	(687,500)	(507,500)
Net carrying amount	10,337,053	9,399,987

	2022 RMB'000	2021 RMB'000
Goodwill of Gland Pharma*	3,969,350	3,633,717
Goodwill of Antejin and subsidiaries	1,168,983	1,168,983
Goodwill of Sisram and subsidiaries*	774,344	708,868
Goodwill of Chancheng Hospital & Zhuhai Chancheng & Xinshi Hospital***	680,808	329,804
Goodwill of Hengsheng Hospital	636,933	636,933
Goodwill of Aohong Pharma and subsidiaries	616,231	796,231
Goodwill of Chongqing Yao Pharma and subsidiaries***	572,670	459,967
Goodwill of Erye Pharma	503,373	503,373
Goodwill of Breas*	291,071	259,694
Goodwill of Xingmai Information***	275,653	—
Goodwill of Hongqi Pharma	205,952	205,952
Goodwill of Tridem Pharma**	163,076	158,612
Goodwill of Wanbang Pharma and subsidiaries	83,765	143,009
Goodwill of other subsidiaries	394,844	394,844
	10,337,053	9,399,987

* Goodwill of Gland Pharma, Sisram and Breas is measured in USD.

** Goodwill of Tridem Pharma is measured in EUR.

*** The increase in goodwill during the reporting period was mainly due to the acquisition of Xinshi Hospital, Jiluohua and Xingmai Information.

The English names of the companies registered in the PRC represent the best efforts made by the management of the Company in directly translating the Chinese names of these companies.

17. GOODWILL (Continued)

Impairment testing of goodwill

Movements in the provisions for impairment of goodwill are as follows:

2022	At beginning of year RMB'000	Additions RMB'000	Disposals RMB'000	At end of year RMB'000
Provisions for impairment of:				
Goodwill of Antejin and subsidiaries	202,500	—	—	202,500
Goodwill of Chancheng Hospital, Zhuhai Chancheng & Xinshi Hospital	15,000	—	—	15,000
Goodwill of Aohong Pharma and subsidiaries	210,000	180,000	—	390,000
Goodwill of Breas	80,000	—	—	80,000
	507,500	180,000	—	687,500

2021	At beginning of year RMB'000	Additions RMB'000	Disposals RMB'000	At end of year RMB'000
Provisions for impairment of:				
Goodwill of Antejin and subsidiaries	202,500	—	—	202,500
Goodwill of Chancheng Hospital & Zhuhai Chancheng	15,000	—	—	15,000
Goodwill of Aohong Pharma and subsidiaries	60,000	150,000	—	210,000
Goodwill of Breas	80,000	—	—	80,000
	357,500	150,000	—	507,500

Amount to RMB739,361,000 of goodwill was increased through acquiring subsidiaries of Xinshi Hospital, Jiluohua and Xingmai Information during the year (note 40).

During the goodwill impairment test, the Group allocated Xinshi Hospital, which was newly acquired this year, into Chancheng Hospital and Zhuhai Chancheng Assets Group to perform the goodwill impairment test, mainly because the Group has owned and operated Chancheng Hospital and Zhuhai Chancheng Hospital with brand influence, medical and academic advantages in Greater Bay Area in South China, and has basically formed the network layout of Greater Bay Area's urban medical service industry. Xinshi Hospital is located in the core development area of Baiyun District, Guangzhou. It is a tertiary general hospital with certain market competitiveness in the region, and has formed certain diagnosis and treatment characteristics and business reputation. The acquisition of Xinshi Hospital would improve the medical service layout of the Group in South China and enhance regional coordination, thus enhancing its market share and competitiveness in the region.

The cash flows generated from Xingmai Information and Jiluohua are independent from those of the other subsidiaries of the Group, hence they are separate asset groups.

17. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

The cash flows generated from each subsidiary acquired are independent from those of the other subsidiaries of the Group. Therefore, each of these acquired subsidiaries is a separate cash-generating unit. Management considered that the synergies arising from each acquisition mainly benefited the corresponding acquired subsidiary. Therefore, in performing the impairment test, the goodwill generated from each acquisition is allocated to the corresponding subsidiary acquired.

The Group performs an impairment test on the goodwill at the end of each year. After the test, the Group has made an additional impairment provision of RMB180,000,000 for the goodwill of Aohong Pharmaceutical and its subsidiaries.

Assumptions were used in the value-in-use calculation of all the cash-generating units for 31 December 2022 and 31 December 2021. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(1) The Group under evaluation continues to operate and there are no major changes affecting the key aspects of production and operations and the current situation in terms of business scope, sales model, channels and management.

(2) The socio-economic environment in which the group under evaluation is located does not cause major changes and there are no major changes in relevant laws, regulations, policies and regulations.

(3) The business scope, operating mode, and management mode of the group under evaluation are consistent and continuously adjusted with the development of the economy.

(4) The interest rate, exchange rate, tax base and tax rate will not change significantly within the normal range prescribed by the state.

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budget year, adjusted for expected efficiency adjustments and expected market development.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

The growth rates beyond the forecast period — The growth rates beyond the forecast period are the rate of inflation.

The values assigned to key assumptions on market development of the related products and industry are consistent with historical experience of the Group and external information sources.

Pharmaceutical manufacturing

The goodwill arising from pharmaceutical manufacturing segment is allocated to the corresponding subsidiaries, and each subsidiary is recognised as an asset group for goodwill impairment test. The recoverable amount of the goodwill asset group is determined by the carrying amount of the estimated future cash flows of the asset group according to the cash flow projection based on a 5 to 9 year financial budget. The discount rate used for the cash flow projections of the asset group is 14% to 19%, which infer that the inflation rate after the projection period is 2.3%.

17. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Pharmaceutical manufacturing (Continued)

Goodwill of Gland Pharma

Gland Pharma, founded in 1978 and headquartered in Hyderabad, India, is a generic injection company with R&D capabilities for original pharmaceuticals and preparations. At present, it mainly provides manufacturing services of generic injection for large-scale pharmaceutical companies worldwide. Gland Pharma is the first Indian manufacturer of injectable pharmaceuticals approved by United States Food and Drug Administration, and has the ability to register and sell drugs in the regulatory markets. Its products are mainly sold to the United States and Europe. On November 2020, Gland Pharma was listed on BSE limited and national stock exchange of India limited. The Group regularly evaluates the above-mentioned operating activities and, unifies the resource allocation based on the evaluation results. Therefore, Gland Pharma as a whole is recognized as an asset group. According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of the Gland Pharma's asset group. The Group believes that there is no impairment of the goodwill during 2022.

Goodwill of Antejin and subsidiaries

Antejin was established on 6 July 2012. Antejin and its subsidiaries have a number of patents including 13-valent pneumonia conjugate vaccine (multivalent conjugate), influenza vaccine, pertussis vaccine and rabies vaccine. The Group regularly evaluates the above-mentioned operating activities and, unifies the resource allocation based on the evaluation results. Therefore, Antejin and its subsidiaries as a whole is recognized as an asset group. According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of the Antejin and its subsidiaries's asset group. The Group believes that there is no impairment of the goodwill during 2022.

Goodwill of Aohong Pharma and subsidiaries

Aohong Pharma and subsidiaries focus on pharmaceutical products whose major products included Aodejin (Calf blood serum injection), Bangting (Hemocoagulase for injection) and others. In 2019, Aohong Pharma obtained first class listed pharmaceutical chemicals Penehyclidine hydrochloride injection (Changtuoning) through acquiring Chengdu List Pharmaceutical Co., Ltd. (hereinafter called the "List Pharma"). Meanwhile, Aohong Pharma recombined its own business with those of List Pharma, improving the strategic layout by transferring the production of Changtuoning and integrate the sales channels. The group will have overall assessment for mentioned-above operating activities regularly, and allocate resources accordingly; therefore, Aohong Pharma is regarded as an asset group.

In July 2019, the general office of National Health Commission published notice regarding the "The first batch of medicine catalogue which required special monitoring about the rational use of medicine", and Aodejin of Aohong Pharm is listed in the catalogue, and since then Aodejin (Calf serum deproteinized injection) has been withdrawn from the medical insurance catalogs of various provinces gradually. As certain influence on the future revenue and profitability of Aodejin is anticipated, the Group had recognised an impairment loss of RMB210,000,000 as at 31 December 2021.

In order to adapt to the changes in industry policies, Aohong Pharma and subsidiaries launched a strategic transformation, strengthened R&D competitiveness as its management core, created products in advantageous fields through a joint R&D platform, strengthened the clinical-registration-technology transfer capabilities of the R&D team, and enriched and consolidated product lines and the commercialization capacity. On one hand, Aohong Pharma and subsidiaries concentrates resources to improve the quality of R&D projects; on the other hand, Aohong Pharma and subsidiaries introduced products which were listed in the domestic market through multiple channels.

17. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Pharmaceutical manufacturing (Continued)

Goodwill of Aohong Pharma and subsidiaries (Continued)

As Aohong Pharma and subsidiaries were still in the process of transformation and upgrading, which will take time for the pipeline products under development to be launched. The sales volume of current product Aodejin (Calf Serum Deproteinized Injection) declined due to the change in operating environment in 2022. However, Aodejin is no longer in the "The second batch of medicine catalogue which required special monitoring about the rational use of medicine" published by the general office of National Health Commission. Based on the above factors and it will take more time for the commercialization of above pipeline products, it was estimated that the present value of future cash flows was lower than the carrying amount of the book value of the Aohong Pharma and its subsidiaries' asset groups, the Group recognized an impairment loss of RMB180,000,000 in 2022, and accumulated impairment balance was RMB390,000,000 as at 31 December 2022.

Goodwill of Erye Pharma

Erye Pharma is a comprehensive pharmaceutical company that produces APIs, powder injections (including penicillins, cephalosporins), freeze-dried powders and oral preparations. The Group regularly evaluates the above-mentioned business activities and, unifies the resource allocation based on the evaluation results. Therefore, Erye Pharma as a whole is recognised as an asset group. According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of the Erye Pharma's asset group. The Group believes that there is no impairment of the goodwill during 2022.

For the Group's calculation of the present value (recoverable amount) of the estimated future cash flows of the above three asset groups of Antejin and subsidiaries, Aohong Pharma and subsidaries and Erye Pharma is also referred to the results of Shanghai Orient Appraisal Co., Ltd.'s report on 26 March 2023 No. 0490 of Orient Appraisal Evaluation Report [2023] "The assessment report of the recoverable amount of 7 related asset groups for the purpose of financial reporting of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.".

Medical devices and medical diagnosis

The goodwill arising from medical devices and medical diagnostics segment is allocated to the corresponding subsidiaries, and the subsidiary is recognised as an asset group for goodwill impairment test. The recoverable amount of the goodwill asset group is determined based on the present value of the asset group's estimated future cash flows, and its estimated future cash flows are determined based on a nine-year financial budget. The discount rate used for cash flow projections is 15% to 17%, which is used to infer that the cash flow growth rate after the projection period is 2.3%, which is the inflation rate.

Goodwill of Sisram and subsidiaries

Sisram is a manufacturer of medical lasers, photonics and Radio Frequency equipment in Israel. Sisram ranks in the forefront of the medical beauty market, and has formed a strong competitive advantage in design capabilities, cost control, and customer base. Its medical laser and optical equipment is mainly used in dermatology, orthopedics, burn surgery, laser and many other fields, and Sisram and subsidiaries are dedicated to provide the comprehensive solution with core of top technology for the medical beauty market. Sisram merged downstream distributor Nova Medical Israel Ltd. to integrate its sales channels in the Israel market during 2019. The Group regularly evaluates the above-mentioned business activities and, unifies resource allocation based on the evaluation results. Therefore, Sisram as a whole is recognised as an asset group. According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of the Sisram's asset group. The Group believes that there is no impairment of the goodwill during 2022.

17. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Medical devices and medical diagnosis (Continued)

Goodwill of Sisram and subsidiaries (Continued)

For the Group's calculation of the present value (recoverable amount) of the expected future cash flows of the above asset group is also referred to the results of Shanghai Orient Appraisal Co., Ltd.'s reports on 21 March 2023, No.0595 of Orient Appraisal Evaluation Report [2023] "The recoverable value assessment report about the related asset group of Alma Lasers, Ltd. which is a subsidiary of Sisram for the purpose of financial reporting on Shanghai Fosun Pharmaceutical (Group) Co., Ltd.".

Healthcare service

The goodwill arising from healthcare service segment is allocated to the corresponding subsidiary, and the subsidiary of goodwill is recognised as an asset group for goodwill impairment test. The recoverable amount of the goodwill asset group is determined by the present value of the estimated future cash flows of the asset group according to the cash flow projections based on a nine-year financial budget. The discount rate used for asset group cash flow projections is 15% to 17%, which infer that the inflation rate after the projection period is 2.3%.

Goodwill of Chancheng Hospital, Zhuhai Chancheng & Xinshi Hospital

Chancheng Hospital is a national third-grade class-A hospital which integrates medical treatment, rehabilitation, scientific research and teaching in Foshan, Guangdong Province. Chancheng Hospital in Zhuhai City, Guangdong Province is a second-class hospital approved by Zhuhai Health and Family Planning Bureau. Xinshi Hospital is a third-class general hospital which integrates medical treatment, teaching, scientific research, prevention and health care in Guangzhou, Guangdong Province. As the above-mentioned hospitals are located in South China, they have synergy and relevance in terms of acquisition purpose, integration progress, overall evaluation, resource allocation and business operation. The Group regularly evaluates the above-mentioned operating activities, unifies resource allocation based on the evaluation results. According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of the Chancheng Hospital, Zhuhai Chancheng & Xinshi Hospital's asset group. The Group believes that there is no impairment of the goodwill during 2022.

Goodwill of Hengsheng Hospital

Hengsheng Hospital is a large-scale modern comprehensive Tertiary Hospital approved by the Health and Family Planning Commission of Guangdong Province, which integrates medical treatment, scientific research, teaching, rehabilitation and preventive health care. It is mainly engaged in healthcare service and is the designated medical institution for social medical insurance in Shenzhen. Shenzhen Workers' Injury Insurance Hospital, Shenzhen Children's Medical Insurance Hospital, Shenzhen 120 Emergency Medical Center Network Hospital, Shenzhen Hospital Association First Board of Directors, Shenzhen Baoan District Science Education Base, China Cervical Cancer Prevention and Control Project Hospital. The Group regularly evaluates the above-mentioned operating activities, unifies resource allocation based on the evaluation results. Hengsheng Hospital specialises in healthcare service and generates operating cash flow independently. Therefore, Hengsheng Hospital as a whole is recognised as an asset group. According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of the Hengsheng Hospital's asset group. The Group believes that there is no impairment of the goodwill during 2022.

The Group's calculation of the present value (recoverable amount) of the estimated future cash flows of the above asset groups is also referred to the results of Shanghai Orient Appraisal Co., Ltd.'s reports on 26 March 2023 No. 0490 of Orient Appraisal Evaluation Report [2023] "The assessment report of the recoverable amount of 7 related asset groups for the purpose of financial reporting of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.".

18. OTHER INTANGIBLE ASSETS

	Year ended 31 December 2022							
	Medicine licences	Patents and technical know-how	Office software	Trademarks	Business networks	Deferred development costs	Operating concession rights	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:								
At 1 January 2022	2,560,328	5,343,052	252,658	338,968	1,855,615	3,158,617	676,562	14,185,800
Additions	—	96,389	42,146	—	—	1,467,174	573,261	2,178,970
Acquisition of subsidiaries *(note 40)*	—	209,578	9,372	772,444	183,520	617	—	1,175,531
Transfer	848,967	319,400	—	—	—	(1,168,367)	—	—
Disposals	—	(281)	(4,066)	—	—	—	—	(4,347)
Disposal of subsidiaries *(note 41)*	(4,325)	(62,493)	—	(19,000)	—	—	—	(85,818)
Exchange realignment	4,282	(24,011)	4,592	18,105	295	—	14,803	18,066
At 31 December 2022	3,409,252	5,881,634	304,702	1,110,517	2,039,430	3,458,041	1,264,626	17,468,202
Accumulated amortisation:								
At 1 January 2022	(150,524)	(1,367,520)	(175,382)	(18,736)	(737,941)	(1,711)	(38,185)	(2,489,999)
Acquisition of subsidiaries *(note 40)*	—	(656)	(3,959)	—	—	—	—	(4,615)
Amortisation for the year *(note 7)*	(151,878)	(434,827)	(26,999)	(41,903)	(143,566)	—	(161,928)	(961,101)
Disposals	—	253	3,908	—	—	—	—	4,161
Disposal of subsidiaries *(note 41)*	2,595	24,665	—	—	—	—	—	27,260
Exchange realignment	(260)	1,233	(2,530)	(62)	(3,237)	—	(268)	(5,124)
At 31 December 2022	(300,067)	(1,776,852)	(204,962)	(60,701)	(884,744)	(1,711)	(200,381)	(3,429,418)
Impairment losses:								
At 1 January 2022	(64,000)	(20,614)	—	—	—	—	(475)	(85,089)
Provision	—	—	—	—	—	(2,070)	—	(2,070)
At 31 December 2022	(64,000)	(20,614)	—	—	—	(2,070)	(475)	(87,159)
Net carrying amount:								
At 31 December 2022	3,045,185	4,084,168	99,740	1,049,816	1,154,686	3,454,260	1,063,770	13,951,625
At 1 January 2022	2,345,804	3,954,918	77,276	320,232	1,117,674	3,156,906	637,902	11,610,712

18. OTHER INTANGIBLE ASSETS (Continued)

	Year ended 31 December 2021							
	Medicine licences	Patents and technical know-how	Office software	Trademarks	Business networks	Deferred development costs	Operating concession rights	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:								
At 1 January 2021	2,030,002	3,774,065	221,535	347,601	1,886,218	2,830,729	553,081	11,643,231
Additions	8,067	17,824	38,926	—	24,000	1,310,579	124,781	1,524,177
Acquisition of subsidiaries	—	1,373,671	172	—	—	—	—	1,373,843
Transfer	522,965	306,951	—	—	—	(829,916)	—	—
Disposals	—	(23,706)	(684)	—	—	(152,775)	—	(177,165)
Disposal of subsidiaries *(note 41)*	—	(16,687)	(2,094)	—	—	—	(1,300)	(20,081)
Exchange realignment	(706)	(89,066)	(5,197)	(8,633)	(54,603)	—	—	(158,205)
At 31 December 2021	2,560,328	5,343,052	252,658	338,968	1,855,615	3,158,617	676,562	14,185,800
Accumulated amortisation:								
At 1 January 2021	(85,506)	(1,091,504)	(151,144)	(10,768)	(626,027)	(1,711)	(13,741)	(1,980,401)
Amortisation for the year	(65,243)	(309,954)	(30,736)	(7,985)	(128,048)	—	(25,744)	(567,710)
Disposals	—	9,614	422	—	—	—	—	10,036
Disposal of subsidiaries *(note 41)*	—	10,751	1,263	—	—	—	1,300	13,314
Exchange realignment	225	13,573	4,813	17	16,134	—	—	34,762
At 31 December 2021	(150,524)	(1,367,520)	(175,382)	(18,736)	(737,941)	(1,711)	(38,185)	(2,489,999)
Impairment losses:								
At 1 January 2021	(64,000)	(20,614)	—	—	—	—	(475)	(85,089)
Provision	—	—	—	—	—	(152,775)	—	(152,775)
Disposals	—	—	—	—	—	152,775	—	152,775
At 31 December 2021	(64,000)	(20,614)	—	—	—	—	(475)	(85,089)
Net carrying amount:								
At 31 December 2021	2,345,804	3,954,918	77,276	320,232	1,117,674	3,156,906	637,902	11,610,712
At 1 January 2021	1,880,496	2,661,947	70,391	336,833	1,260,191	2,829,018	538,865	9,577,741

18. OTHER INTANGIBLE ASSETS (Continued)

As at 31 December 2022, the indefinite-life intangible assets of the Group are as follows:

Asset types	Holders	Net carrying amount	Reasons of indefinite life
		RMB'000	
Medicine licences	Dalian Aleph, Dongting Pharma, Hongqi Pharma, Erye Pharma	307,000	The extension cost is low and the assets can be used indefinitely
Trademarks	Dalian Aleph, Dongting Pharma, Erye Pharma	31,000	The extension cost is low and the assets can be used indefinitely
Trademarks	CML, Alma*	201,627	The extension cost is low and the assets can be used indefinitely
Operating concession rights	Hengsheng Hospital	421,710	The extension cost is low and the assets can be used indefinitely
Patents and technical know-how	Henlix	48,921	The extension cost is low and the assets can be used indefinitely
		1,010,258	

* Trademarks of CML and Alma are measured in USD.

The Group performs impairment tests for the above individual intangible assets or the respective cash-generating units depending on whether the recoverable amounts of individual intangible assets can be reliably estimated.

Medicine licences

The recoverable amounts of medicine licences have been determined based on a value-in-use calculation using cash flow projections based on a financial budget covering a period of five to nine years period approved by senior management. The discount rates applied to the cash flow projections are in the range of 14% to 17%. The growth rate used to extrapolate the cash flows beyond the forecast period is 2.3%, which is also an estimate of the rate of inflation.

Trademarks

The recoverable amounts of trademarks have been determined based on a value-in-use calculation using cash flow projections based on a financial budget covering a period of five to nine years period approved by senior management. The discount rates applied to the cash flow projections are in the range of 14% to 17%. The growth rate used to extrapolate the cash flows beyond the five-year is 2.3%, which is also an estimate of the rate of inflation.

Operating concession rights

The recoverable amounts of operating concession rights have been determined based on a value-in-use calculation using cash flow projection based on a financial budget covering a nine-year period approved by senior management. The discount rate applied to the cash flow projection is 17%. The growth rate used to extrapolate the cash flows beyond the forecast period is 2.3%, which is also an estimate of the rate of inflation.

18. OTHER INTANGIBLE ASSETS (Continued)

Operating concession rights (Continued)

Assumptions were used in the value-in-use calculation for 31 December 2022 and 31 December 2021. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of indefinite-life intangible assets:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budget year, adjusted for expected efficiency adjustments and expected market development.

Discount rates — The discount rates used are the rates of return on investment required by the group.

The growth rates beyond the forecast period — The growth rates beyond the forecast period are the rates of inflation.

The values assigned to key assumptions are consistent with historical experience of the Group and external information sources.

19. INVESTMENTS IN JOINT VENTURES

	2022	2021
	RMB'000	RMB'000
Share of net assets	**92,712**	144,943
Goodwill on acquisition	**137,894**	137,894
	230,606	282,837

19. INVESTMENTS IN JOINT VENTURES (Continued)

Particulars of the Group's principal joint venture are as follows:

Company name	Place of registration and business	Registered share capital ('000)	Percentage of Ownership interest	Voting power	Profit sharing	Principal activities
Fosun Kite Biotechnology Co., Ltd.*	PRC/ Mainland China	USD209,000	50	50	60	Research and development of medicine

* The English name of the company registered in the PRC represents the best efforts made by the management of the Company in directly translating the Chinese name of this company.

The above investment in joint venture is indirectly held by the Company.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2022 RMB'000	2021 RMB'000
Share of the joint ventures' loss for the year	**(233,925)**	(247,388)
Share of the joint ventures' other comprehensive loss	**(4,297)**	(531)
Share of the joint ventures' total comprehensive loss	**(238,222)**	(247,919)
Aggregate carrying amount of the Group's investments in the joint ventures	**230,606**	282,837

20. INVESTMENTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Share of net assets	**22,769,696**	22,079,176
Goodwill on acquisition	**759,546**	930,607
	23,529,242	23,009,783
Provision for impairment	**(665,793)**	(665,793)
	22,863,449	22,343,990

20. INVESTMENTS IN ASSOCIATES (Continued)

Movements in the provisions for impairment of investment in associates are as follows:

2022	At beginning of year RMB'000	Additions RMB'000	Disposals RMB'000	At end of year RMB'000
Provisions for impairment of:				
Sovereign Medical Services, Inc.	222,657	—	—	222,657
SALADAX	129,705	—	—	129,705
Mingyi Zhonghe Technology (Beijing) Co., Ltd.	64,982	—	—	64,982
Integrated Endoscopy	30,097	—	—	30,097
Others	218,352	—	—	218,352
	665,793	—	—	665,793

2021	At beginning of year RMB'000	Additions RMB'000	Disposals RMB'000	At end of year RMB'000
Provisions for impairment of:				
Sovereign Medical Services, Inc.	194,705	27,952	—	222,657
Amerigen Pharmaceuticals Ltd.	81,355	—	(81,355)	—
EOS Imaging	38,525	—	(38,525)	—
SALADAX	—	129,705	—	129,705
Mingyi Zhonghe Technology(Beijing) Co., Ltd.	—	64,982	—	64,982
Integrated Endoscopy	—	30,097	—	30,097
Others	8,600	209,752	—	218,352
	323,185	462,488	(119,880)	665,793

20. INVESTMENTS IN ASSOCIATES (Continued)

Particulars of the Group's principal associates are as follows:

Company name*	Place of incorporation/ registration and business	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
Sinopharm Industrial Investment Co., Ltd. (國藥產業投資有限公司)	PRC/ Mainland China	RMB100,000	49	—	Manufacture and trading of medicine
Tianjin Pharmaceutical Group Co., Ltd. (天津藥業集團有限公司)@	PRC/ Mainland China	RMB674,970	16.67	—	Manufacture and sale of medicine
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (北京金象復星醫藥股份有限公司)	PRC/ Mainland China	RMB127,418	50	—	Distribution and retail of medicine
Nature's Sunshine Products, Inc. ("NSP")@	U.S.A./ U.S.A.	Not applicable	14.89	0.39	Manufacture and trading of nutrition products
Sinopharm Medical Investment Management Co., Ltd. (國藥控股醫療投資管理有限公司)	PRC/ Mainland China	RMB1,000,000	45	—	Investment management
Fosun Group Finance Corporation Limited ("Fosun Finance")	PRC/ Mainland China	RMB1,500,000	20	—	Advisory on deposits and loans, finance and funding, for Fosun Group member companies
Huaihai Hospital Management (Xuzhou) Co., Ltd. (淮海醫院管理(徐州)有限公司)	PRC/ Mainland China	RMB714,290	—	35	Investment management
Yaneng Bioscience (Shenzhen) Co., Ltd (亞能生物技術(深圳)有限公司)	PRC/ Mainland China	HKD12,269	20	—	Research and development and production of Medical devices

* The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of these companies.

@ The Group's investments in these associates are accounted for under the equity method of accounting because the Group has significant influence over these entities by way of representation on the board of directors and participation in the policy-making process, despite the fact that the Group's direct or indirect equity interests in these associates were lower than 20% for the year ended 31 December 2022.

The above table lists the associates of the Group which, in the opinion of the directors of the Company, principally affected the results of the Group for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

20. INVESTMENTS IN ASSOCIATES (Continued)

Sinopharm Industrial Investment Co., Ltd. ("Sinopharm Industrial"), which is considered a material associate of the Group, has significant impact on the share of profits and losses of associates and is accounted for using the equity method.

The following table illustrates the summarised financial information of Sinopharm Industrial, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2022 RMB'000	2021 RMB'000
Revenue	552,147,550	521,051,235
Profit for the year	14,332,536	13,058,551
Other comprehensive income/(loss)	4,473	(4,306)
Total comprehensive income for the year	14,337,009	13,054,245
Profit for the year attributable to owners of the parent of Sinopharm Industrial	4,288,695	3,906,178
Current assets	317,699,289	289,533,207
Non-current assets	47,019,848	45,821,744
Current liabilities	(234,896,225)	(219,240,569)
Non-current liabilities	(19,441,180)	(16,144,127)
Net assets	110,381,732	99,970,255
Net assets attributable to owners of the parent of Sinopharm Industrial	34,615,362	31,519,471
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	49%	49%
Group's share of net assets of the associate	16,961,527	15,444,541
Goodwill on acquisition (less cumulative impairment)	—	—
Carrying amount of the investment	16,961,527	15,444,541
Dividend received by the Group	578,200	534,100

20. INVESTMENTS IN ASSOCIATES (Continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2022 RMB'000	2021 RMB'000
Share of the associates' (loss)/profit for the year	(32,390)	122,498
Share of the associates' other comprehensive (loss)/income	(7,564)	67,006
Share of the associates' total comprehensive (loss)/income	(39,954)	189,504
Aggregate carrying amount of the Group's investments in the associates	5,901,922	6,899,449

21. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 RMB'000	2021 RMB'000
Equity investments designated at fair value through other comprehensive income		
Listed equity investments, at fair value		
Bank of Chongqing	3,478	5,380
Sichuan Huiyu Pharmaceutical Co., Ltd.	11,973	24,536
	15,451	29,916

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the year ended 31 December 2022, the Group received dividends in the amounts of RMB200,000 (2021: RMB8,000).

22. DEFERRED TAX

The movements in deferred tax assets/(liabilities) during the year are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits RMB'000	Provision for impairment of assets RMB'000	Depreciation and amortisation RMB'000	Accrued expenses RMB'000	Unrealised profit RMB'000	Deferred income RMB'000	Fair value adjustments arising from acquisitions of subsidiaries RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2021	7,235	75,087	1,187	105,329	32,864	79,708	10,634	2,774	314,818
Disposal of subsidiaries *(note 41)*	—	—	—	—	—	—	(7,407)	—	(7,407)
Deferred tax credited/(charged) to the statement of profit or loss during the year	23,924	135	5,352	(9,975)	16,708	(3,072)	5,919	(2,324)	36,667
Deferred tax credited to reserves during the year	1,122	276	—	—	—	—	—	797	2,195
Gross deferred tax assets at 31 December 2021	32,281	75,498	6,539	95,354	49,572	76,636	9,146	1,247	346,273
Gross deferred tax assets at 1 January 2022	32,281	75,498	6,539	95,354	49,572	76,636	9,146	1,247	346,273
Acquisitions of subsidiaries *(note 40)*	—	1,020	675	41,185	—	—	—	—	42,880
Disposal of subsidiaries *(note 41)*	—	(569)	—	—	—	—	—	—	(569)
Deferred tax credited/(charged) to the statement of profit or loss during the year	85,714	(20,637)	75	13,079	42,607	(4,712)	(1,492)	136	114,770
Gross deferred tax assets at 31 December 2022	117,995	55,312	7,289	149,618	92,179	71,924	7,654	1,383	503,354

22. DEFERRED TAX (Continued)

Deferred tax liabilities

	Fair value re-measurements of the remaining equity interest in associates arising from the disposal of subsidiaries and other temporary differences	Deemed disposal of associates	Fair value adjustments arising from financial assets at fair value through profit or loss	Fair value adjustments of equity investment designated at fair value	Fair value adjustments arising from acquisitions of subsidiaries	Depreciation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax liabilities at 1 January 2021	—	1,163,439	2,966	66	1,517,479	238,928	2,922,878
Acquisitions of subsidiaries	—	—	—	—	234,543	—	234,543
Deferred tax (credited)/charged to the statement of profit or loss during the year	194,769	—	(163)	—	(89,159)	(18,597)	86,850
Disposals of subsidiaries *(note 41)*	—	—	—	—	(1,696)	—	(1,696)
Deferred tax charged to reserves during the year	—	—	—	651	—	—	651
Exchange differences	—	—	—	—	(32,796)	—	(32,796)
Gross deferred tax liabilities at 31 December 2021	194,769	1,163,439	2,803	717	1,628,371	220,331	3,210,430
Gross deferred tax liabilities at 1 January 2022	194,769	1,163,439	2,803	717	1,628,371	220,331	3,210,430
Acquisitions of subsidiaries *(note 40)*	—	—	—	—	293,454	—	293,454
Deferred tax (credited)/charged to the statement of profit or loss during the year	—	—	(6)	—	(109,957)	36,235	(73,728)
Disposals of subsidiaries *(note 41)*	—	—	—	—	(7,651)	—	(7,651)
Deferred tax charged to reserves during the year	—	—	—	(286)	—	—	(286)
Exchange differences	4,727	—	—	—	(3,222)	—	1,505
Gross deferred tax liabilities at 31 December 2022	199,496	1,163,439	2,797	431	1,800,995	256,566	3,423,724

22. DEFERRED TAX (Continued)

Net deferred tax assets and net deferred tax liabilities as at the respective reporting dates are as follows:

	2022		2021	
	Offset amount	**Net amount**	Offset amount	Net amount
	RMB'000	**RMB'000**	RMB'000	RMB'000
Deferred tax assets	**60,784**	**442,570**	80,684	265,589
Deferred tax liabilities	**60,784**	**3,362,940**	80,684	3,129,746

Deferred tax assets have not been recognised in respect of the following items as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the following items can be utilised:

	2022	2021
	RMB'000	RMB'000 (Restated)
Tax losses	**9,043,112**	6,771,728
Deductible temporary differences	**1,590,402**	1,393,196
	10,633,514	8,164,924

There are no income tax consequences attaching to the payments of dividends by the Company to its shareholders.

23. TRADE AND BILLS RECEIVABLES-NON CURRENT

	2022	2021
	RMB'000	RMB'000
Trade receivables	**96,746**	77,790
Impairment	**(5,083)**	(395)
	91,663	77,395

23. TRADE AND BILLS RECEIVABLES-NON CURRENT (Continued)

Movements in the loss allowance for impairment of trade receivables are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	395	—
Impairment losses, net	4,257	395
Impairment	431	—
At end of year	5,083	395

24. OTHER NON-CURRENT ASSETS

	2022 RMB'000	2021 RMB'000 (Restated)
Prepayments for purchase of items of property, plant and equipment	1,367,007	1,160,893
Prepayments for acquisitions	—	292,667
Prepayments for purchase of other intangible assets	976,564	372,431
Deposits for purchase of prepaid land lease payments	7,600	7,600
Loans to a related party	121,140	—
Others	484,438	180,151
	2,956,749	2,013,742

Included in the Group's other non-current assets are amounts due from a related party of the Group of RMB906,596,000 (2021: RMB740,194,000) arising from prepayments for purchase of items of property, plant and equipment. The balances were non-interest-bearing. In addition, included in the Group's other non-current assets are amounts due from a joint venture of the Group of RMB121,140,000 (2021: Nil) with an annual interest rate of 4.73%, and the maturity date is 12 October 2024.

25. INVENTORIES

	2022 RMB'000	2021 RMB'000 (Restated)
Raw materials	2,639,494	2,125,698
Work in progress	1,159,271	955,653
Finished goods	3,105,468	2,389,454
Spare parts and consumables	139,150	122,104
Others	40,068	43,665
	7,083,451	5,636,574
Less: Provision	(201,019)	(164,027)
	6,882,432	5,472,547

26. TRADE AND BILLS RECEIVABLES/DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 RMB'000	2021 RMB'000 (Restated)
Trade receivables	7,588,099	6,029,720
Bills receivable	24,843	16,227
	7,612,942	6,045,947

	2022 RMB'000	2021 RMB'000
Debt investments at fair value through other comprehensive income	558,927	427,884

If an entity's business model for the management of bank notes is aimed at both the collection of contract cash flows and the sale, it is classified as financial assets measured at fair value through other comprehensive income.

The credit period for trade receivables is generally three months, which may be extended up to six months for major customers. Trade and bills receivables are non-interest-bearing.

26. TRADE AND BILLS RECEIVABLES/DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

An ageing analysis of trade receivables, based on the invoice date and net of loss allowance, as at the respective reporting dates is as follows:

	2022 RMB'000	2021 RMB'000 (Restated)
Within 1 year	7,519,069	6,051,259
1 to 2 years	198,235	129,356
2 to 3 years	29,153	55,349
Over 3 years	48,834	120,136
	7,795,291	6,356,100
Less: Loss allowance for impairment	(207,192)	(326,380)
	7,588,099	6,029,720

Movements in the loss allowance for impairment of trade receivables are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	326,380	280,727
Impairment losses, net	57,925	72,455
Amounts written off as uncollectible	(165,168)	(26,802)
Decrease due to disposal of subsidiaries	(11,945)	—
At end of year	207,192	326,380

The decrease (2021: increase) in the loss allowance was due to the following significant changes in the gross carrying amount:

(i) Increase in the loss allowance of RMB71,952,000 as a result of an increase in trade receivables which were current and past due for within 1 year and 1 to 2 years (2021: increase in the loss allowance of RMB81,790,000 as a result of an increase in trade receivables which were past due for over 1 year);

(ii) Decrease in the loss allowance of RMB14,027,000 (2021: RMB9,335,000) as a result of the receipt of outstanding trade receivables balances;

(iii) Decrease in the loss allowance of RMB165,168,000 (2021: RMB26,802,000) as a result of the write-off of certain trade receivables; and

(iv) Decrease in the loss allowance of RMB11,945,000 (2021: Nil) as a result of the disposal of subsidiaries.

26. TRADE AND BILLS RECEIVABLES/DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2022

		Past due				
	Current	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	1.15%	3.17%	100.00%	100.00%	100.00%	2.66%
Gross carrying amount (RMB'000)	6,095,333	1,614,328	35,658	19,803	30,169	7,795,291
Expected credit losses (RMB'000)	70,329	51,233	35,658	19,803	30,169	207,192

As at 31 December 2021 (Restated)

		Past due				
	Current	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	1.80%	3.90%	100.00%	100.00%	100.00%	5.13%
Gross carrying amount (RMB'000)	5,051,686	1,112,407	42,921	33,487	115,599	6,356,100
Expected credit losses (RMB'000)	90,944	43,429	42,921	33,487	115,599	326,380

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

26. TRADE AND BILLS RECEIVABLES/DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

Included in the Group's trade receivables are amounts due from the Group's associates of RMB1,126,384,000 (2021: RMB793,967,000), the Group's joint ventures of RMB3,048,000 (2021: RMB5,081,000) and other related companies of RMB29,765,000 (2021: RMB8,692,000).There was no bills receivable due from the Group's associates (2021: nil). Included in the Group's debt investments at fair value through other comprehensive income are amounts due from the Group's associates of RMB161,257,000 (2021: RMB91,717,000). These balances due from associates, joint ventures and other related companies were trade in nature, non-interest-bearing and collectible on credit terms similar to those offered to the major customers of the Group.

As at 31 December 2022, no trade receivables were used to obtain bank loans (2021: RMB69,444,000). No debt investments at fair value through other comprehensive income were used to obtain bank loans (2021: RMB7,742,000).

27. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 RMB'000	2021 RMB'000
Advances to suppliers	1,607,466	1,740,119
Deposits	—	188,840
Other receivables	1,049,017	1,560,262
	2,656,483	3,489,221
Impairment allowance	(21,030)	(20,691)
	2,635,453	3,468,530

An ageing analysis of prepayments, other receivables and other assets as at the respective reporting dates, net of loss allowance, is as follows:

	2022 RMB'000	2021 RMB'000
Within 1 year	1,912,329	2,347,530
1 to 2 years	135,049	1,068,634
2 to 3 years	553,951	31,184
Over 3 years	55,154	41,873
	2,656,483	3,489,221
Less: Loss allowance for impairment of other receivables	(21,030)	(20,691)
	2,635,453	3,468,530

27. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

The changes in the impairment allowance for other receivables based on 12-month and the entire life expectancy expected credit losses are as follows:

	Stage 1 12-month ECLs RMB'000	Stage 2 Lifetime ECLs RMB'000	Stage 3 Lifetime ECLs RMB'000	Total RMB'000
At 1 January 2022	20,691	—	—	20,691
The balance of 1 January 2022 in this year				
— Stage Transition	(2,848)	—	2,848	—
Provision for impairment losses for this year	3,819	—	—	3,819
Impairment losses reversed for this year	(632)	—	—	(632)
Amounts written off as uncollectible for this year	—	—	(2,848)	(2,848)
At 31 December 2022	21,030	—	—	21,030

	Stage 1 12-month ECLs RMB'000	Stage 2 Lifetime ECLs RMB'000	Stage 3 Lifetime ECLs RMB'000	Total RMB'000
At 1 January 2021	21,893	—	—	21,893
The balance of 1 January 2021 in this year				
— Stage Transition	(2,368)	—	2,368	—
Provision for impairment losses for this year	1,965	—	—	1,965
Impairment losses reversed for this year	(799)	—	—	(799)
Amounts written off as uncollectible for this year	—	—	(2,368)	(2,368)
At 31 December 2021	20,691	—	—	20,691

Included in the Group's prepayments, other receivables and other assets are amounts due from the Group's associates of RMB49,164,000 (2021: RMB108,288,000), the Group's joint ventures of RMB463,000 (2021: RMB189,457,000) and other related companies of RMB15,009,000 (2021: RMB12,617,000), respectively. These balances were non-interest-bearing and collectible on demand.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
Listed equity investments, at fair value	1,264,344	3,833,062
Other unlisted equity investments, at fair value	1,911,199	1,614,496
Debt investments, at fair value	141,818	—
	3,317,361	5,447,558
Current portion	928,532	4,241,069
Non-current portion	2,388,829	1,206,489

The above equity investments at 31 December 2022 and 31 December 2021 were classified as financial assets at fair value through profit or loss as they were held for trading, or as the group has not elected to recognize the fair value gain or loss through other comprehensive income.

29. CASH AND BANK BALANCES

	2022 RMB'000	2021 RMB'000 (Restated)
Cash on hand	2,672	1,737
Cash at banks, unrestricted	10,815,270	5,483,404
Deposits in Fosun Finance*	352,125	974,576
Cash and cash equivalents as stated in the consolidated statement of cash flows	11,170,067	6,459,717
Pledged bank balances to secure bills payable	232,660	967,045
Term deposits with original maturity of more than three months in Fosun Finance*	632,500	—
Other term deposits with original maturity of more than three months	4,206,086	2,890,462
Cash and bank balances as stated in the consolidated statement of financial position	16,241,313	10,317,224

* Fosun Group Finance Corporation Limited ("Fosun Finance") is a licensed financial institution registered with the China Banking Regulatory Commission. Fosun Finance is a subsidiary of Fosun High Tech. Details of the deposits are given in note 46(d) to the financial statements.

As at 31 December 2022, the cash and bank balances of the Group denominated in foreign currencies amounted to RMB5,857,937,000 (2021: RMB4,275,852,000). The RMB is not freely convertible into other currencies. However, under Chinese Mainland's prevailing rules and regulations over foreign exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

29. CASH AND BANK BALANCES (Continued)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between seven days and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. Term deposits with original maturity of more than three months earn interest at fixed interest rates for varying periods of between three months and one year. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. Details of interest earned on deposits in Fosun Finance are set out in note 46(e) to the financial statements.

30. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 23 August 2021, the Company announced its board resolution to dispose the 25.0011% equity interests in Tianjin Pharmaceutical Group Co., Ltd. ("Tianjin Pharmaceutical") to a third party. The consideration of the disposal was RMB1,432,563,000. The transaction of disposal will be completed in three instalments, and 8.3337% of the equity interests in Tianjin Pharmaceutical will be disposed equally. By 31 December 2022, the Company had signed a legally binding transfer agreement and received advance payment amounting to RMB477,521,000 regarding to the disposal consideration of 8.3337% equity interests in Tianjin Pharmaceuticals, which will be completed before 31 December 2023. The first equity transfer mentioned above was completed in 2022. The Group reclassified the carrying value of 8.3337% equity investment of Tianjin Pharmaceuticals from investments in associates corresponding to the second equity transfer to assets of a disposal group classified as held for sale as at 31 December 2022, accordingly.

The carrying value of assets of a disposal group classified as held for sale are presented below:

	2022	2021
	RMB'000	RMB'000
Asset held for sale-Investments in associates	**419,578**	419,578
Asset held for sale-Property, plant and equipment and prepaid land lease payments	**—**	44,127
	419,578	463,705

31. TRADE AND BILLS PAYABLES

	2022	2021
	RMB'000	RMB'000
		(Restated)
Trade payables	**5,426,162**	4,515,305
Bills payable	**857,879**	548,388
	6,284,041	5,063,693

Trade and bills payables are non-interest-bearing and are normally settled on a two-month term.

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022	2021
	RMB'000	RMB'000
		(Restated)
Within 1 year	**5,267,809**	4,466,921
1 to 2 years	**119,022**	26,002
2 to 3 years	**19,691**	14,949
Over 3 years	**19,640**	7,433
	5,426,162	4,515,305

Included in the Group's trade payables are amounts due to the Group's associates, joint ventures and other related companies of RMB184,464,000 (2021: RMB286,582,000), Nil (2021: Nil) and RMB54,806,000 (2021: RMB48,705,000), respectively. These balances due to associates, joint ventures and other related companies were trade in nature, non-interest-bearing and repayable on credit terms similar to those offered by the associates, joint ventures and other related companies to their major customers.

32. OTHER PAYABLES AND ACCRUALS

	Notes	**2022 RMB'000**	2021 RMB'000 (Restated)
Payables relating to purchases of items of property, plant and equipment		**512,522**	333,267
Deposits received		**527,087**	510,801
Payroll		**1,640,222**	1,297,017
Value-added tax		**187,608**	150,978
Other taxes		**122,889**	102,384
Accrued interest expenses		**144,962**	154,892
Dividends payable to non-controlling shareholders of subsidiaries		**34,444**	28,832
Other accrued expenses		**3,118,546**	2,928,422
Payables for acquisitions of non-controlling interests, and subsidiaries	(i)	**182,318**	33,420
Payables to third parties	(ii)	**484,524**	569,915
Subscription to restricted shares		**60,561**	32,917
Advances for equity disposal of associates and subsidiaries		**496,446**	544,271
Payables for purchases of fixed assets on installment		**8,931**	—
Loans from related parties	(iii)	**14,111**	24,342
Others	(iv)	**201,410**	321,202
		7,736,581	7,032,660
Less: Non-current portion of payables for acquisitions of non-controlling interests and subsidiaries *(note 37)*	(i)	**(87,420)**	(7,700)
		7,649,161	7,024,960

Notes:

(i) The balances as at 31 December 2022 mainly represent the cash considerations for the acquisitions of Yiyanyun, Chongqin Fuchuang, Xingyuanda Medical Technology, Xinshi Hospital and of RMB4,500,000, RMB8,358,000, RMB1,120,000 and RMB80,920,000 respectively. The non-current portion of payables for acquisitions of the non-controlling interests and subsidiaries as at 31 December 2022 mainly consists of the non-current portion of unpaid cash considerations of RMB6,500,000 and RMB80,920,000 for the acquisitions of equity interests in Guangji Hospital and Xinshi Hospital, respectively, which will be paid after 12 months.

(ii) Payables to third parties of RMB484,524,000 as at 31 December 2022 (2021: RMB569,915,000) bear no interest (2021: Nil) and are repayable on demand.

(iii) Included in the Group's loans from related parties are amounts due to the Group's other related companies of RMB14,111,000 (2021: RMB24,342,000). The annual interest rate is 5.80%. The loan period is from 5 December 2022 to 5 December 2023.

(iv) Other payables are non-interest-bearing and repayable on demand.

Included in the Group's other payables are amounts due to the Group's associates, joint ventures and other related companies of RMB25,985,000 (2021: RMB8,963,000), RMB1,696,000 (2021: RMB14,358,000) and RMB34,928,000 (2021: RMB8,649,000), respectively. These balances were non-interest-bearing and repayable on demand.

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2022			31 December 2021		
	Effective Interest rate (%)	Maturity	RMB'000	Effective Interest rate (%)	Maturity	RMB'000
Current						
Bank loans — unsecured	0.40–5.12	2023	11,865,460	0.37–5.00	2022	9,116,853
Bank loans — secured *(note (a))*	3.60–4.45	2023	28,247	1.00–5.35	2022	268,877
Ultra-short-term financial bills	—	—	—	2.60	2022	1,200,000
Current portion of long term bank loans — unsecured	0.30–4.83	2023	2,632,506	0.30–6.00	2022	3,427,358
bank loans — secured *(note (a))*	3.76–4.45	2023	144,315	2.73–4.50	2022	115,788
Corporate bonds — unsecured *(note (b))*	3.50–3.98	2023	2,345,832	3.48–3.83	2022	1,331,367
			17,016,360			15,460,243
Non-current						
Bank loans — unsecured	0.30–6.01	2024–2030	9,948,556	0.30–5.27	2023–2030	5,676,214
Bank loans — secured *(note (a))*	3.55–4.50	2024–2030	1,651,881	3.98–4.55	2023–2030	1,017,969
			11,600,437			6,694,183
Corporate bonds - unsecured *(note (b))*	3.50	2024	499,431	3.40–3.98	2023–2025	2,354,886
			12,099,868			9,049,069
			29,116,228			24,509,312

33. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	2022 RMB'000	2021 RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	14,670,528	12,928,876
In the second year	2,869,710	4,119,205
In the third to fifth years, inclusive	6,463,773	189,055
Beyond five years	2,266,954	2,385,923
	26,270,965	19,623,059
Other borrowings repayable:		
Within one year	2,345,832	2,531,367
In the second year	499,431	756,300
In the third to fifth years, inclusive	—	1,598,586
	2,845,263	4,886,253
	29,116,228	24,509,312

33. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Foreign currency loans

	2022	2021
	RMB'000	RMB'000
USD:		
Secured	—	—
Unsecured	4,955,662	4,644,421
	4,955,662	4,644,421
EUR:		
Secured	—	—
Unsecured	2,905,534	2,591,742
	2,905,534	2,591,742
SEK:		
Secured	13,984	16,656
Unsecured	—	—
	13,984	16,656
TWD:		
Secured	—	—
Unsecured	—	1,842
	—	1,842
CHF:		
Secured	—	—
Unsecured	—	127,509
	—	127,509

33. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Foreign currency loans (Continued)

Notes:

(a) Certain of the Group's bank loans are secured by:

(i) mortgages over the Group's buildings, which had a net carrying value at the end of the reporting period of approximately RMB243,687,000 (2021: RMB185,956,000);

(ii) mortgages over the Group's prepaid land lease payments, which had a net carrying value at the end of the reporting period of approximately RMB505,506,000 (2021: RMB513,993,000);

(iii) mortgages over the Group's construction in progress, which had a net carrying value at the end of the reporting period of approximately RMB1,036,485,000 (2021: RMB364,084,000);

(iv) As at 31 December 2022, the Group had no trade receivables used as pledge (2021: RMB69,444,000);

(v) As at 31 December 2022, the Group had no other receivables used as pledge (2021: RMB8,296,000);

(vi) As at 31 December 2022, the Group had no bank acceptance used as pledge (2021: 7,742,000);

(vii) As at 31 December 2022, the Group had no guarantee provided by Fosun International Limited (2021: a guarantee provided by Fosun International Limited and the Company for Fosun Medical Holding AB, a subsidiary of the Company, to obtain loans at respective proportion of shares);

(viii) 58.67% equity of its subsidiary Suzhou Baidao Medical Technology Co., Ltd. (2021: 58.67%).

(b) On 13 August 2018, the Company issued corporate bonds with a maturity of five years in an aggregate amount of RMB1,300,000,000, which bear interest at 3.50% per annum. The interest is payable annually in arrears and the maturity date is 13 August 2023. As at 31 December 2022, the book value of the five-year corporate bonds is RMB745,940,000.

On 2 February 2021, the Company issued corporate bonds with a maturity of four years in an aggregate amount of RMB1,600,000,000, which bear interest at 3.98% per annum. The interest is payable annually in arrears and the maturity date is 2 February 2025. Since holders of the corporate bonds with a maturity of four years, have the right, at their option, to require the Company to repurchase for cash the corporate bonds in whole or in part at the interest payment date of the second interest-bearing year (namely 2023), the corporate bonds were presented as current liabilities as at 31 December 2022. As at 31 December 2022, the book value of the four-year corporate bonds is RMB1,599,892,000.

On 9 March 2022, the Company issued medium-term notes with a maturity of four years in an aggregate amount of RMB500,000,000, which bear interest at 3.50% per annum. The interest is payable annually in arrears and the maturity date is 9 March 2026. The holders of the corporate bonds with a maturity of four years, have the right, at their option, to require the Company to repurchase for cash the corporate bonds in whole or in part at the interest payment date of the second interest-bearing year (namely 2024). As at 31 December 2022, the book value of the four-year corporate bonds is RMB499,431,000.

34. LEASE LIABILITIES

	31 December 2022			31 December 2021		
	Effective Interest rate (%)	Maturity	RMB'000	Effective Interest rate (%)	Maturity	RMB'000
Current						
Lease liability	weighted average 4.72	2023	184,406	weighted average 4.72	2022	141,496
Non-current						
Lease liability	weighted average 4.72	2023–2038	744,992	weighted average 4.72	2022–2038	648,360
			929,398			789,856

	2022 RMB'000	2021 RMB'000
Analysed into:		
Lease liabilities:		
Within one year	184,406	141,496
In the second to fifth years, inclusive	570,932	476,415
Beyond five years	174,060	171,945
	929,398	789,856

35. CONTRACT LIABILITIES

Details of contract liabilities as at 31 December 2022 are as follows:

	31 December 2022	31 December 2021
	RMB'000	RMB'000 (Restated)
Warranty services	**94,802**	56,923
Advances from customers	**1,804,374**	1,335,946
Total contract liabilities	**1,899,176**	1,392,869
Current portion	**1,544,763**	1,153,858
Non-current portion	**354,413**	239,011

Contract liabilities include advances received to deliver products and warranty services. The increase in contract liabilities in 2022 was mainly due to the increase in advances received from customers at the end of the year.

Included in the Group's contract liabilities are amounts due to the Group's associates, joint ventures and other related companies of RMB31,336,000 (2021: RMB14,715,000), Nil (2021: Nil) and RMB701,000 (2021: RMB199,000), respectively. These balances were non-interest-bearing and repayable on demand.

36. DEFERRED INCOME

	Notes	**2022 RMB'000**	2021 RMB'000
Government grants	(i)	**632,433**	512,806

Notes:

(i) Government grants were received by the Group as financial subsidies for some research and development projects, industrial development funds and value-added tax refund. Government grants are recognised as income over the periods necessary to match the grants on a systematic basis to the costs that they are intended to compensate. There are no unfulfilled conditions or contingencies relating to these grants.

The movements in government grants during the year are as follows:

	2022 RMB'000	2021 RMB'000
At 1 January	**512,806**	482,201
Additions	**211,867**	125,242
Recognised as income during the year	**(92,054)**	(85,399)
Others	**(186)**	(9,238)
At 31 December	**632,433**	512,806

37. OTHER LONG-TERM LIABILITIES

	Notes	2022 RMB'000	2021 RMB'000
Staff placement fees	(i)	24,130	25,696
Payables for acquisitions of non-controlling interests and subsidiaries	(ii)	87,420	7,700
Share redemption option granted to non-controlling shareholders of subsidiaries	(iii)	1,550,983	1,498,957
Payables for purchases of fixed assets on installment		30,461	—
Long-term employee payable		42,068	54,425
Other financial liabilities		631,411	230,113
Others		195,808	212,396
		2,562,281	2,029,287

Notes:

(i) Staff placement fees represent liabilities incurred by certain subsidiaries of the Group before 2008 in respect of the retirement benefits of certain employees and retirees.

(ii) Payables for acquisitions of non-controlling interests and subsidiaries as at 31 December 2022 mainly represent the non-current portion of unpaid cash considerations of RMB6,500,000 and RMB80,920,000 for the acquisitions of non-controlling interests in Guangji Hospital and Xinshi Hospital, respectively, which will be paid after 12 months (note 32(i)).

(iii) The share redemption option granted to non-controlling shareholders of Antejin and Suzhou Baidao represented the liability of the Group to acquire the non-controlling interests owned by the non-controlling shareholders as at 31 December 2022.

38. SHARE CAPITAL

	2022		2021	
	Number of shares '000	Nominal value RMB'000	Number of shares '000	Nominal value RMB'000
Shares				
Restricted shares				
A Shares of RMB1 each	109,258	109,258	—	—
Unrestricted shares				
A Shares of RMB1 each	2,010,958	2,010,958	2,010,958	2,010,958
H Shares of RMB1 each	551,941	551,941	551,941	551,941
	2,672,157	2,672,157	2,562,899	2,562,899

38. SHARE CAPITAL (Continued)

Movements in the issued share capital during the year were as follows:

	Notes	2022 Number of shares '000	2022 Nominal value RMB'000	2021 Number of shares '000	2021 Nominal value RMB'000
At 1 January		2,562,899	2,562,899	2,562,899	2,562,899
Issue of A Shares	(i)	106,757	106,757	—	—
Share incentive scheme	(ii)	2,501	2,501	—	—
At 31 December		2,672,157	2,672,157	2,562,899	2,562,899

Notes:

(i) On 27 July 2022, the Company completed an issue of 106,757,000 A shares. The net proceeds received from the issue were amounted to RMB4,456,199,000, after deduction of issue expenses of RMB27,581,000. Part of proceeds, amounting to RMB106,757,000, was credited as issued and fully paid share capital, and the remaining balance of RMB4,349,442,000 was credited to share premium.

(ii) The restricted A shares were issued pursuant to the share incentive scheme adopted by the Company. Please refer to note 44 to the financial statements for more details.

39. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity on pages 201 to 202 of the financial statements.

Statutory surplus reserve

According to the relevant PRC regulations and the articles of association of the Company in the PRC, the Company is required to transfer 10% of its profit after income tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of dividends to equity owners. The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital/issued share capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of its registered capital. This reserve is non-distributable other than in liquidation.

40. BUSINESS COMBINATIONS

The major acquisitions of subsidiaries accounted for as business combinations are set out as follows:

On 20 January 2022, Fosun Health, a subsidiary of the Company, acquired 70.00% equity interests in Xinshi Hospital from an independent third party. The consideration for the acquisition was RMB809,200,000. After the acquisition, the Group holds 70% equity interests in Xinshi Hospital. The Group determined that the acquisition date of this transaction was 20 January 2022, and Xinshi Hospital was included in the scope of consolidation from 20 January 2022.

On 31 August 2022, Yaopharma Co., Ltd., a subsidiary of the Company, acquired 100.00% equity interests in Jiluohua from an independent third party. The consideration for the acquisition was RMB424,813,000. After the acquisition, the Group holds 100% equity interests in Jiluohua. The Group determined that the acquisition date of this transaction was 31 August 2022, and Jiluohua was included in the scope of consolidation from 31 August 2022.

On 29 July 2022, Industrial Development, a subsidiary of the Company, acquired 51.76% equity interests in Xingmai Information from a related party at a consideration of RMB362,350,000. At the same day, Industrial Development signed a capital increase agreement with two new independent third-party shareholders, Xingmai Information and its existing shareholders, that Industrial Development contributed RMB50,000,000 in cash to subscribe for the newly increased registered capital of Xingmai Information of the par value amounting to RMB6,640,625. After the acquisition, the Group holds 72.38% equity interests in Xingmai Information. The Group determined that the acquisition date of this transaction was 5 August 2022, and Xingmai Information was included in the scope of consolidation from 5 August 2022.

On 8 October 2022, the articles of association of Shanghai Xingchen Children's Hospital Co., Ltd. ("Shanghai Xingchen"), an associate of the Company, was amended by all shareholders of Shanghai Xingchen. According to the amended articles of association, Shanghai Fuer Yixing Hospital Management Co., Ltd., a subsidiary of the Group, has the power to control Shanghai Xingchen. The Group determined that the acquisition date of this transaction was 8 October 2022, and Shanghai Xingchen was included in the scope of consolidation from 8 October 2022.

* The English names of the companies registered in the PRC represent the best efforts made by the management of the Company in directly translating the Chinese names of these companies.

The above acquisitions were undertaken under the Group's strategy to further improve the Group's pharmaceutical manufacturing, medical devices and medical diagnosis and health care service.

The Group has elected to measure the non-controlling interests in all the subsidiaries acquired at the non-controlling interests' proportionate share of the acquired subsidiaries' identifiable net assets.

40. BUSINESS COMBINATIONS (Continued)

The fair values of the identifiable assets and liabilities of all the subsidiaries acquired as at the dates of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** RMB'000
Property, plant and equipment	15	629,342
Right-of-use assets	16	243,429
Other intangible assets	18	1,170,916
Deferred tax assets	22	42,880
Other non-current assets		16,115
Inventories		145,474
Trade and bills receivables		65,386
Prepayments, other receivables and other assets		197,329
Cash and cash equivalents		127,105
Interest-bearing bank and other borrowings — current		(13,387)
Trade and bills payables		(92,251)
Other payables and accruals		(224,980)
Lease liabilities — current		(8,297)
Contract liabilities		(12,495)
Tax payable		(21,756)
Deferred tax liabilities	22	(293,454)
Deferred income		(278)
Interest-bearing bank and other borrowings — non-current		(207,817)
Lease liabilities — non-current		(72,930)
Other long-term liabilities		(6,103)
Total identifiable net assets at fair value		1,684,228
Non-controlling interests		(377,083)
		1,307,145
Goodwill		739,361
		2,046,506
Satisfied by:		
Cash consideration paid in 2022		1,322,683
Cash consideration paid in 2021		161,840
Cash consideration payable		161,840
Fair value of equity investments held by the Group		400,143
		2,046,506

40. BUSINESS COMBINATIONS (Continued)

The fair values of trade and bills receivables and other receivables as at the dates of acquisitions amounted to RMB65,386,000 and RMB197,329,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB68,383,000 and RMB198,413,000, respectively, of which trade and bills receivables of RMB2,997,000 and other receivables of RMB1,084,000 are expected to be uncollectible.

An analysis of the cash flows in respect of the acquisitions of subsidiaries is as follows:

	RMB'000
Cash consideration paid	(1,322,683)
Cash and cash equivalents acquired	127,105
Payment of unpaid cash consideration as at 31 December 2021	(1,200)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(1,196,778)

Since the acquisitions, the acquired subsidiaries contributed RMB735,562,000 to the Group's revenue and RMB(31,217,000) to the Group's profit after tax for the year ended 31 December 2022.

Had the combinations taken place at the beginning of the year, the revenue and the profit after tax of the Group for the year would have been RMB44,105,481,000 and RMB3,939,005 000, respectively.

41. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2022, the Group entered into an equity interest transfer agreement with Shanghai Huanghe Asset Management Co., Ltd. and Yangzhou Zhongbao Pharmaceutical Co., Ltd., to dispose of 51% of equity interest in Jiangsu Huanghe Pharmaceutical Co., Ltd.* (江蘇黃河藥業股份有限公司), for a consideration of RMB125,328,000. The disposal date was 3 January 2022. This subsidiary was not included in the consolidated financial statements of the Group hereafter.

During the year ended 31 December 2022, the Group entered into an equity interest transfer agreement with GVS Technology (Suzhou) Co., Ltd., to dispose of 100% of equity interest in Shanghai Blood Transfusion Technology Co., Ltd.* (上海輸血技術有限公司), for a consideration of RMB358,378,000. The disposal date was 28 February 2022. This subsidiary was not included in the consolidated financial statements of the Group hereafter.

During the year ended 31 December 2022, the Group entered into an equity interest transfer agreement with Gao Peng, to dispose of 82% of equity interest in Jiangsu Huibang Information Technology Co., Ltd.* (江蘇惠邦信息科技有限公司), for a consideration of RMB2,000. The disposal date was 30 November 2022. This subsidiary was not included in the consolidated financial statements of the Group hereafter.

During the year ended 31 December 2022, the Group entered into an equity interest transfer agreement with Jiangsu Huibang Information Technology Co., Ltd., to dispose of 100% of equity interest in Chengdu Fosun Internet Hospital Co., Ltd.* (成都復星互聯網醫院有限公司), for a consideration of RMB2,000. The disposal date was 30 November 2022. This subsidiary was not included in the consolidated financial statements of the Group hereafter.

During the year ended 31 December 2022, the Group entered into an equity interest transfer agreement with Wu Han, to dispose of 51% of equity interest in Hainan Fucong Health Management Co., Ltd.* (海南復聰健康管理有限公司), for a consideration of RMB4,000. The disposal date was 30 November 2022. This subsidiary was not included in the consolidated financial statements of the Group hereafter.

* The English names of the companies registered in the PRC represent the best efforts made by the management of the Company in directly translating the Chinese names of these companies.

41. DISPOSAL OF SUBSIDIARIES (Continued)

The financial information of above subsidiaries at the date of disposal is as follows:

	Notes	2022 RMB'000	2021 RMB'000
Net assets disposed of:			
Property, plant and equipment	15	78,891	1,544,398
Right-of-use assets	16	14,031	196,212
Other intangible assets	18	58,558	6,767
Deferred tax assets		569	7,407
Other non-current assets		—	1,483
Inventory		69,318	109,184
Trade and bills receivables		66,981	179,257
Prepayments, other receivables and other assets		19,715	113,512
Cash and cash equivalents		39,412	363,517
Interest-bearing bank and other borrowings — current		(108,450)	—
Trade and bills payables		(21,901)	(29,469)
Other payables and accruals		(109,933)	(916,245)
Contract liabilities		(10,052)	(171,955)
Tax payable		(2,157)	(14,432)
Interest-bearing bank and other borrowings — non-current		—	(107,438)
Deferred tax liabilities		(7,651)	(1,696)
Deferred income		—	(4,655)
		87,331	1,275,847
Non-controlling interests		(14,701)	(409,304)
Goodwill		59,244	24,241
Gain on disposal of a subsidiary	7	351,840	2,013,109
Fair value of remaining investment		—	(596,673)
		483,714	2,307,220
Satisfied by:			
Cash consideration received		429,406	1,988,000

41. DISPOSAL OF SUBSIDIARIES (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2022	2021
	RMB'000	RMB'000
Cash consideration	**429,406**	1,988,000
Cash and bank balances disposed of	**(39,412)**	(363,517)
Cash consideration received in advance for disposal of subsidiaries	**—**	63,750
Receipt of unpaid cash consideration as at 31 December 2021	**319,220**	—
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**709,214**	1,688,233

42. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

2022

	Bank and other loans RMB'000	**Lease liabilities RMB'000**	**Loans from related parties included in other payables and accruals RMB'000**	**Interest payable RMB'000**
At 1 January 2022	**24,509,312**	**789,856**	**24,342**	**154,892**
Changes from financing cash flows	**3,747,388**	**(190,802)**	**(10,231)**	**—**
New leases	**—**	**224,653**	**—**	**—**
Covid-19-related rent recessions from lessors	**—**	**(11,345)**	**—**	**—**
Lease termination	**—**	**(16,903)**	**—**	**—**
Interest paid	**—**	**—**	**—**	**(937,336)**
Foreign exchange movement	**747,737**	**8,253**	**—**	**(38,669)**
Interest expense	**(963)**	**44,459**	**—**	**920,311**
Increase arising from acquisition of subsidiaries	**221,204**	**81,227**	**—**	**—**
Decrease arising from disposal of subsidiaries	**(108,450)**	**—**	**—**	**—**
Interests capitalised under construction in progress	**—**	**—**	**—**	**45,764**
At 31 December 2022	**29,116,228**	**929,398**	**14,111**	**144,962**

42. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Changes in liabilities arising from financing activities (Continued)

2021

	Bank and other loans RMB'000	Lease liabilities RMB'000	Loans from related parties included in other payables and accruals RMB'000	Interest payable RMB'000
At 1 January 2021	22,964,631	778,375	—	198,284
				—
Changes from financing cash flows	1,810,812	(166,879)	24,342	—
New leases	—	198,974	—	—
Covid-19-related rent recessions from lessors	—	(60)	—	—
Lease termination	—	(40,822)	—	—
Interest paid	—	—	—	(810,802)
Foreign exchange movement	(259,933)	(8,879)	—	(50,507)
Interest expense	1,268	27,836	—	793,436
Increase arising from acquisition of subsidiaries	99,972	1,311	—	—
Decrease arising from disposal of subsidiaries	(107,438)	—	—	—
Interests capitalised under construction in progress	—	—	—	24,481
At 31 December 2021	24,509,312	789,856	24,342	154,892

(b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flow is as follows:

	2022	2021
	RMB'000	RMB'000
Within operating activities	**84,658**	46,129
Within financing activities	**190,802**	166,879
	275,460	213,008

43. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2022	2021
Percentage of equity interest held by non-controlling interests:		
Gland Pharma	**42.13%**	42.00%

	2022 **RMB'000**	2021 RMB'000
Profit for the year allocated to non-controlling interests:		
Gland Pharma	**290,359**	369,642

	2022 **RMB'000**	2021 RMB'000
Accumulated balances of non-controlling interests at the reporting date:		
Gland Pharma	**3,364,910**	3,088,443

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	2022 **RMB'000**	2021 RMB'000
Revenue	**3,371,454**	3,658,077
Total expenses	**(268,222)**	(286,736)
Profit for the year	**689,033**	879,443
Total comprehensive income for the year	**573,495**	650,759
Current assets	**5,661,057**	4,813,905
Non-current assets	**3,612,872**	3,632,713
Current liabilities	**(767,755)**	(466,622)
Non-current liabilities	**(521,101)**	(568,421)
Net cash flows from operating activities	**781,437**	712,607
Net cash flows used in investing activities	**(946,382)**	(734,059)
Net cash flows from financing activities	**11,563**	49,765
Net (decrease)/increase in cash and cash equivalents	**(153,382)**	28,313

44. SHARE-BASED PAYMENTS

(a) Restricted A share incentive Scheme

The Company operated a share incentive scheme (the "Restricted A Share Incentive Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any noncontrolling shareholder in the Company's subsidiaries. The Scheme became effective on 1 December 2022 and, will remain no longer than 5 years from that date.

Restricted A Share Incentive Scheme

The Restricted A Share Incentive Scheme was approved by the shareholders of the Company (the "Shareholders") at the 2022 second extraordinary general meeting of the Company, the 2022 second class meeting of A shareholders and the 2022 second class meeting of H shareholders convened on 29 November 2022. On 1 December 2022, relevant resolutions were considered and passed at the Company's 17th meeting of the 9th session of the board of directors and the 5th meeting of the 9th session of the Supervisory Committee, pursuant to which the date of grant for the A Share First Grant was set on 1 December 2022.

On 1 December 2022 (the "Date of Grant"), pursuant to the A Share First Grant of the Restricted A Share Incentive Scheme, 2,706,400 A shares of the Company were granted to 138 eligible participants of the Restricted A Share Incentive Scheme (the "Share Incentive Participants") at a grant price of RMB21.29 per share. The Share Incentive Participants include executive directors, the members of senior management of the Company, other mid-level management personnel, core technicians and other key personnel identified by the Board of Directors who have a direct impact on the overall performance and sustainable development of the Group.

126 out of 138 of the Share Incentive Participants have accepted and subscribed with their own funds under the Restricted A Share Incentive Scheme and a total of 2,501,400 Restricted A Shares (the "Restricted Shares") have been issued by the Company to the relevant Share Incentive Participants.

44. SHARE-BASED PAYMENTS (Continued)

(a) Restricted A share incentive Schemes (Continued)

Restricted A Share Incentive Scheme (Continued)

The Restriction Period of the Restricted Shares granted under the A Share First Grant shall be 12 months, 24 months and 36 months from the relevant completion date of registration of the Restricted Shares under the A Share First Grant. The unlocking schedule and arrangements for the Restricted Share granted under the A Share First Grant are set out below:

Unlocking Period for the Restricted Shares under the A Share First Grant	Unlocking Schedule	Maximum proportion of the unlocked Restricted Shares in the total Restricted Shares granted under the Restricted A Share Incentive Scheme
First Unlocking Period	Commencing from the first trading day after expiry of the 12-month period from the date of completion of registration of certain corresponding Restricted Shares under the A Share First Grant and ending on the last trading day of the 24-month period from the date of completion of registration of certain corresponding Restricted Shares under the A Share First Grant	33%
Second Unlocking Period	Commencing from the first trading day after expiry of the 24-month period from the date of completion of registration of certain corresponding Restricted Shares under the A Share First Grant and ending on the last trading day of the 36-month period from the date of completion of registration of certain corresponding Restricted Shares under the A Share First Grant	33%
Third Unlocking Period	Commencing from the first trading day after expiry of the 36-month period from the date of completion of registration of certain corresponding Restricted Shares under the A Share First Grant and ending on the last trading day of the 48-month period from the date of completion of registration of certain corresponding Restricted Shares under the A Share First Grant	34%

The fair value of the Restricted A Share Incentive Scheme granted during the year was RMB88,757,000, of which the Group recognised a share option expense of RMB1,800,000 during the year ended 31 December 2022.

The fair value of the Restricted A Share Incentive Scheme granted during the year was determined as at the date of grant using the market stock price of the Company less the grant price.

44. SHARE-BASED PAYMENTS (Continued)

(b) Subsidiaries' share-based payments

As at 14 April 2018, approved by the second extraordinary general meeting of Henlix, a subsidiary of the Company, passed a share incentive scheme and granted 22,750,000 restricted shares to eligible participants at a price of RMB9.21 per share. As at 10 December 2020, Henlix granted 2,780,700 restricted shares to eligible participants at a price of RMB9.21 per share. As at 7 April 2021, at 13 July 2021, and at 30 November 2021, Henlix granted 531,050 restricted shares to eligible participants at a price of RMB9.21 per share. The 531,050 shares of common stock granted in April, July and November 2021 are from restricted shares that were released from embargoes upon departure of share-incentive plan participants in 2018 and 2020. Henlix recognised an amount of RMB13,221,000 as related expenses for the year ended 31 December 2022 (2021: RMB53,490,000).

As at 27 June 2019, Gland, a subsidiary of the Company, passed a share incentive scheme and granted 154,650 restricted shares to eligible participants at a price of equivalent RMB540 per share. On 17 March 2020, Gland Pharma subdivided its shares into ten shares for each issued share. After the completion of subdivision, adjustment was made in accordance with the terms of the Gland Pharma Share Option Incentive Scheme for the exercise of the outstanding options and the number of Gland Pharma shares that options might be placed and issued upon exercise of all outstanding options. Gland recognised an amount of RMB972,000 as related expenses for the year ended 31 December 2022 (2021: RMB8,901,000).

As at 2 December 2021, Sisram, a subsidiary of the Company, approved by the extraordinary general meeting of Sisram, granted 3,716,060 restricted shares (equivalent to a total of 3,716,060 Sisram shares) to eligible participants. On 30 November 2022, 1,137,009 restricted shares were unlocked. Sisram recognised an amount of RMB21,257,000 as related expenses for the year ended 31 December 2022 (2021: RMB1,895,000).

Fosun Health approved the incentive plan in 2022 and granted 43,597,000 restricted shares (at the grant price of RMB1/share) and 146,919,000 stock options (at the exercise price of RMB1/share) to eligible participants for the first time. Fosun Health recognised an amount of RMB17,233,000 as related expenses for the year ended 31 December 2022 (2021: Nil).

45. COMMITMENTS

The Group had the following capital commitments as at 31 December 2022:

	2022	2021
	RMB'000	RMB'000
Contracted, but not provided for:		
Prepared land lease payments, plant and machinery	**1,719,010**	2,127,421
Investments in a subsidiary and associates	**1,889,457**	2,066,497
Investments in financial assets at fair value through profit or loss	**518,528**	451,933
Authorized, but not signed:		
Prepaid land lease payments, plant and machinery	**2,342,848**	3,128,531
	6,469,843	7,774,382

46. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere, the Group had the following transactions with related parties during the year:

(a) Sales of products and rendering of services

	2022 RMB'000	2021 RMB'000
Sinopharm Group Co., Ltd. and its subsidiaries *(notes 4 & 7 & 9)*	5,718,433	3,867,860
C.Q. Pharmaceutical Holding Co., Ltd. and its subsidiaries *(notes 1 & 7 & 11)*	856,137	749,624
Shanghai Fosun Public Welfare Foundation *(notes 3 & 7)*	49,841	8,912
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. *(notes 1 & 7)*	15,214	—
Fosun International Limited and its subsidiaries *(notes 6 & 7 & 11 & 12)*	11,483	7,299
Suzhou Fund *(notes 1 & 7 & 11)*	10,710	9,916
Shanghai Lingjian Information Technology Co., Ltd. *(notes 1 & 7)*	7,310	17,131
Fosun Kite Biological Technology Co., Ltd. *(notes 2 & 7)*	6,755	4,607
Tianjin Fund *(notes 1 & 7 & 11)*	4,928	5,126
Jingfukang Pharmaceutical Group Co., Ltd. (notes 1 & 7)	4,425	2,190
Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd. *(notes 1 & 7)*	2,894	60
New Frontier Health Corporation and its subsidiaries. (notes 1 &7)	286	2,711
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development *(notes 2 & 7)*	123	8,605
Tongde Equity Investment and Management (Shanghai) Co., Ltd. *(notes 5 & 7)*	122	53
Pramerica Fosun Life Insurance Co., Ltd. *(notes 6 & 7)*	66	13
Fosun United Health Insurance Co., Ltd. *(notes 3 & 7)*	26	—
Xingmai Information *(notes 6 & 7 & 11 & 19)*	10	59
Shanghai Fosun Bund Property Co., Ltd. *(notes 3 & 7 & 20)*	5	4
StarKids Children's Hospital Shanghai *(notes 1 & 7 & 23)*	—	1,490
Shanghai Diai Medical Instrument Co., Ltd. *(notes 1 & 7 & 22)*	—	734
Gland Chemicals Pvt Ltd. *(notes 3 & 7 & 18)*	—	146
Shanghai Xingming Youjian Biotechnology Co., Ltd. (notes 3 & 7)	—	9
Shanghai Xingyao Kunze Biopharmaceutical Co., Ltd. *(notes 3 & 7)*	—	9
Fosun Nanfeng (Shenzhen) Medical Technology Co., Ltd. *(notes 2 & 7 & 21)*	—	1
	6,688,768	4,686,559

46. RELATED PARTY TRANSACTIONS (Continued)

(b) Purchases of products and services

	2022 RMB'000	2021 RMB'000
Sinopharm Group Co., Ltd. and its subsidiaries *(notes 4 & 7 & 9)*	358,804	372,963
C.Q. Pharmaceutical Holding Co., Ltd. and its subsidiaries *(notes 1 & 7 & 11)*	125,358	157,315
Fosun International Limited and its Subsidiaries *(notes 6 & 7 & 11 & 13)*	83,751	38,981
Fosun United Health Insurance Co., Ltd. *(notes 3 & 7)*	22,064	2,955
Tongde Equity Investment and Management (Shanghai) Co., Ltd. *(notes 5 & 7)*	10,398	2,214
Fosun Nanfeng (Shenzhen) Medical Technology Co., Ltd. *(notes 2 & 7 & 21)*	8,892	—
Anhui Sunhere Pharmaceuticals Excipients Co., Ltd. *(notes 1 & 7)*	3,846	1,555
Saladax Biomedical, Inc. *(notes 1 & 7)*	3,276	12,041
SINNOWA Medical Science & Technology Co., Ltd. *(notes 1 & 7)*	581	1,937
Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd. *(notes 1 & 7)*	497	10,601
Fosun Kite Biological Technology Co., Ltd. *(notes 2 & 7)*	416	—
Huaihai Hospital Management Co., Ltd. *(notes 1 & 7)*	298	105
Shanghai Lingjian Information Technology Co., Ltd. *(notes 1 & 7)*	36	58
Gland Chemicals Pvt Ltd. *(notes 3 & 7 & 18)*	—	81,420
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development *(notes 2 & 7)*	—	4,717
	618,217	686,862

(c) Leasing and property management services

As lessor

	2022 RMB'000	2021 RMB'000
Fosun Kite Biological Technology Co., Ltd. *(notes 2 & 8)*	7,756	10,135
Fosun International Limited and its subsidiaries *(notes 6 & 8 & 11 & 14)*	873	2,906
Tongde Equity Investment and Management (Shanghai) Co., Ltd. *(notes 5 & 8)*	864	942
Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd. *(notes 1 & 8)*	228	264
New Frontier Health Corporation and its subsidiaries. *(notes 1 & 8)*	13	333
Shanghai Xingmai Information Technology Co., Ltd. *(notes 1 & 8 & 19)*	—	1,466
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development *(notes 2 & 8)*	—	252
	9,734	16,298

46. RELATED PARTY TRANSACTIONS (Continued)

(c) Leasing and property management services (Continued)

As lessee

	2022 RMB'000	2021 RMB'000
Fosun International Limited and its subsidiaries *(notes 6 & 8 & 11 & 15)*	28,752	15,038
Shanghai Fosun Bund Property Co., Ltd. *(notes 3 & 8 & 20)*	4,215	7,571
Dhananjaya Properties LLP *(notes 3 & 8 & 18)*	—	225
Sasikala Properties LLP *(notes 3 & 8 & 18)*	—	82
Mrs. K. Jhansi Lakshmi *(notes 3 & 8 & 18)*	—	80
	32,967	22,996

Management services

	2022 RMB'000	2021 RMB'000
Subsidiaries of Fosun International Limited *(notes 6 & 8 & 11 & 16)*	23,322	12,344

46. RELATED PARTY TRANSACTIONS (Continued)

(d) Loans from/to related parties

Maximum daily outstanding balance of deposits in Fosun Finance

The Company entered into a financial service agreement with Fosun Finance, pursuant to which Fosun Finance shall provide financial services to the Company and its subsidiaries, including deposit service, credit service, settlement service and other financial services as approved by the China Banking Regulatory Commission for the period from 1 January 2020 to 31 December 2022. The maximum daily outstanding balance of deposits placed by the Group with Fosun Finance is RMB1,000,000,000. The maximum daily outstanding balance of the loans granted by Fosun Finance to the Group is RMB1,000,000,000.

Deposits in Fosun Finance	**2022** **RMB'000**	2021 RMB'000
Fosun Finance *(notes 10 & 11)*	**984,625**	974,576

Loans from Fosun Finance	**2022** **RMB'000**	2021 RMB'000
Fosun Finance *(notes 10 & 11)*	**128,785**	116,127

Others from/to Fosun Finance	**2022** **RMB'000**	2021 RMB'000
Other receivables Fosun Finance *(notes 10 & 11)*	**3,565**	565
Accrued interest expenses Fosun Finance *(notes 10 & 11)*	**153**	154

46. RELATED PARTY TRANSACTIONS (Continued)

(d) Loans from/to related parties (Continued)

Loans to Fosun Kite Biological Technology Co., Ltd.

Shanghai Fosun Pharmaceutical Development Co., Ltd. provided a five-year loan of RMB188,840,000 to Fosun Kite Biological Technology Co., Ltd. The interest rate is 10% higher than the benchmark interest rate for the same period. Among them, RMB33,781,000 is from 12 October 2017 to 12 October 2022, RMB33,781,000 is from 5 February 2018 to 12 October 2022, RMB50,395,000 is from 15 May 2019 to 15 May 2022, RMB70,883,000 is from 17 October 2019 to 16 October 2022.During the year, the Group received the loan repayment of RMB188,840,000. (As at 31 December 2021: the loan interest receivable is RMB301,000).

Shanghai Fosun Pharmaceutical Development Co., Ltd. provided a two-year loan of RMB121,139,000 to Fosun Kite Biological Technology Co., Ltd. from 12 October 2022 to 12 October 2024 and the interest rate is 4.73%. As at 31 December 2022, the loan interest receivable is RMB175,000 (31 December 2021:Nil).

	2022	2021
	RMB'000	RMB'000
Fosun Kite Biological Technology Co., Ltd. *(note 2)*	**121,314**	189,141

Loans to Nature's Sunshine (Far East) Limited

Fosun Industrial Co., Ltd. provided a one-year loan at RMB1,913,000 to Nature's Sunshine (Far East) Limited. The annual interest rate is 3%. The loan period is from 2 October 2021 to 2 October 2022. During the year, the Group received the loan repayment of RMB1,913,000 (As at 31 December 2021, the loan interest receivable is RMB14,000).

	2022	2021
	RMB'000	RMB'000
Nature's Sunshine (Far East) Limited *(note 1)*	**—**	1,927

Loans to StarKids Children's Hospital Shanghai

Shanghai Fuer Yixing Hospital Management Co., Ltd. provided a loan of RMB9,291,000 to StarKids Children's Hospital Shanghai. The annual interest rate is the benchmark LPR interest rate for the same period. During the year, the Group received the loan repayment of RMB9,291,000 (As at 31 December 2021, the loan interest receivable is RMB94,000).

	2022	2021
	RMB'000	RMB'000
StarKids Children's Hospital Shanghai *(notes 1 & 23)*	**—**	9,385

46. RELATED PARTY TRANSACTIONS (Continued)

(d) Loans from/to related parties (Continued)

Loans to Xingmai Information

Shanghai Fosun Pharmaceutical Development Co., Ltd. provided a loan at RMB71,400,000 to Xingmai Information The annual interest rate is 10%. The loan period is from 29 September 2021 to 29 September 2022. During the year, the loan was converted into an investment in it (31 December 2021: the loan interest receivable is RMB1,864,000).

	2022 RMB'000	2021 RMB'000
Xingmai Information *(notes 1 & 11 & 19)*	—	73,264

Loans from Shanghai Youle Information Technology Co., Ltd.

Shanghai Youle Information Technology Co., Ltd. provided a loan at RMB5,492,000 to Fosun Health Technology (Shenzhen) Co., Ltd.. The annual interest rate is 4.35%. The loan period is from 19 October 2021 to 18 October 2022. During the year, the Group repaid the loan of RMB5,492,000 (31 December 2021: the loan interest payable is RMB40,000).

	2022 RMB'000	2021 RMB'000
Shanghai Youle Information Technology Co., Ltd. *(note 3)*	—	5,532

Loans from Shanghai Fosun High Tech (Group) Co., Ltd.

Shanghai Fosun High Tech (Group) Co., Ltd. provided a loan at RMB18,673,000 to Fosun Health Technology (Shenzhen) Co., Ltd. The annual interest rate is 4.35%. The loan period is from 19 October 2021 to 18 October 2022. During the year, the Group repaid the loan of RMB18,673,000 (31 December 2021: the loan interest payable is RMB137,000).

Shanghai Fosun High Tech (Group) Co., Ltd. provided a loan at RMB14,050,000 to Fosun Health Technology (Shenzhen) Co., Ltd. The annual interest rate is 5.80%. The loan period is from 5 December 2022 to 5 December 2023. As at 31 December 2022, the loan interest payable is RMB61,000.

	2022 RMB'000	2021 RMB'000
Shanghai Fosun High Tech (Group) Co., Ltd. *(note 6)*	14,111	18,810

46. RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Interest income from/interest expense to related parties

Interest income	2022 RMB'000	2021 RMB'000
Fosun Finance *(notes 10 & 11)*	9,716	8,602
Fosun Kite Biological Technology Co., Ltd. *(note 2)*	7,961	9,438
Xingmai Information *(notes 1& 11 & 19)*	535	1,864
StarKids Children's Hospital Shanghai *(note 1 & 23)*	261	251
Nature's Sunshine (Far East) Limited *(note 1)*	15	168
	18,488	20,323

During the year, the interest rate for deposits, loans, and discount will be calculated according to the agreement terms, reference benchmark interest rates, and market interest rate levels. The interest rate of demand deposit is 0.35% (31 December 2021: 0.35%), the interest rate of seven day call deposit is 1.485%–1.89% (31 December 2021: 1.89%), the interest rate of agreed deposit is 1.15% (31 December 2021:1.15%), and the interest rate of fixed deposit 1.55% –1.755% (31 December 2021: 1.55%–1.755%). During the year, Fosun Finance provided a short-term loan of RMB116,625,000 to the company, the interest rate is 4.15%–4.50%; Fosun Finance provided a long-term loan of RMB12,159,000 to the company, the interest rate of 4.5%.

Interest expense	2022 RMB'000	2021 RMB'000
Fosun Finance *(notes 10 & 11)*	5,399	4,178
Shanghai Fosun High Tech (Group) Co., Ltd *(note 6)*	607	136
Shanghai Youle Information Technology Co., Ltd. *(note 3)*	161	40
	6,167	4,354

46. RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Commitments with related parties

As lessor

As at 31 December 2022, the Group had total future minimum lease receivables under non-cancellable operating leases with its related parties falling due as follows:

	2022 RMB'000	2021 RMB'000
Fosun Kite Biological Technology Co., Ltd. *(note 2)*	7,239	18,481
Subsidiaries of Fosun International *(note 6)*	—	2,898
Xingmai Information *(note 1 & 19)*	—	1,462
Tongde Equity Investment Management (Shanghai) Co., Ltd. *(note 5)*	—	939
Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd. *(note 1)*	—	248
	7,239	24,028

As lessee

As at 31 December 2022, the Group had total future minimum lease payments (not included in the measurement of lease liabilities)under non-cancellable operating leases and a property management service agreement with related parties in respect of land and buildings which fall due as follows:

	2022 RMB'000	2021 RMB'000
Subsidiaries of Fosun International *(note 6)*	8,298	8,280

Notes:

(1) They are associates of the Group.

(2) They are joint ventures of the Group.

(3) They are other related companies of the Group.

(4) They are the subsidiaries of the Group's associates.

(5) They are the subsidiaries of the Group's joint ventures.

(6) They are the subsidiaries of Fosun International Limited, the holding company of the Company.

(7) The sales and purchases were undertaken on commercial terms similar to those offered to/by unrelated customers/suppliers in the ordinary course of business of the relevant companies.

(8) The fees for the leasing and property management services received from or paid to these related companies were determined based on prices available to third party customers of these related companies.

(9) Sinopharm Group Co., Ltd. is a major subsidiary of Sinopharm Investment, an associate of the Group.

46. RELATED PARTY TRANSACTIONS (Continued)

(f) Commitments with related parties (Continued)

As lessee (Continued)

Notes: (Continued)

(10) Fosun Finance is a subsidiary of Fosun High Tech, the holding company of the Company.

(11) The related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Group confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of these transactions.

(12) During the year of 2022, the Group offered Fosun International Limited and its subsidiaries with other services and products at market prices. Fosun International Limited and its subsidiaries include Shanghai Fosun High Tech (Group) Company Limited., Shanghai Golte Property Management Co., Ltd., Beijing Golte Property Management Co., Ltd., Shanghai Pingao investment Management Co., Ltd., Shanghai Fosun Zhijian Information Technology Co., Ltd., Shanghai Fosun Industry and Technology Development Co., Ltd, Shanghai Fosun Tourism Management Co., Ltd, Shanghai Fosun Industrial Investment Co., Ltd, Shanghai Fosun Venture Capital Management Co. Ltd., Shanghai Fosun Huanyu International Trade Co. Ltd, Xintai Cloud Chain (Wuxi) Information Technology Development Co. Ltd, Xintai Yiliankang (Shanghai) Information Technology Development Co. Ltd, Shanghai Zhiqia Information Technology Service Co. Ltd, Shanghai Zhuqun Information Technology Co. Ltd, Shanghai Xingfu Enterprise Management Consulting Co., Ltd, Shanghai Xingchuang Health Technology Co. Ltd, Zhejiang Fuyi Cosmetics Co., Ltd, Shanghai Xingyi Health Management Co., Ltd, Shanghai Fosun High-tech Group Finance Co., Ltd, Shanghai Fosun Bund Property Co., Ltd and GLSMED TRADE S.A.

(13) During the year of 2022, the Group received services and purchased products from Fosun International Limited and the subsidiaries of Fosun International Limited at market prices. The subsidiaries of Fosun International Limited include Shanghai Yunji Information Technology Co., Ltd., Shanghai Xingyi Health Management Co., Ltd., Shanghai Fosun Xinghui Business Consulting Co., Ltd, Shanghai Fosun Huanyu International Trade Co., Ltd Shanghai Xingyi Human Resources Management Co., Shanghai Zhuqun Information Technology Co., Ltd., Xintai Cloud Chain (Wuxi) Information Technology Development Co., Ltd., Xintai Cloud Chain (Hangzhou) Information Technology Development Co., Ltd., Shanghai Xingjing Enterprise Management Consulting Co., Ltd., Zhejiang Fuyi Cosmetics Co., Ltd, Hainan Fosun Trading Co., Ltd., Hainan Fosun International Business Travel Co., Ltd., Shanghai Yilian Enterprise Management Co., Ltd. and Shanghai Star Service Enterprise Management Consulting Co., Ltd.

(14) During the year of 2022, the Group leased out the office buildings to Fosun International Limited and its subsidiaries. Fosun International Limited and its subsidiaries include Shanghai Fosun High Tech (Group) Company Limited.

(15) During the year of 2022, the Group leased from the office buildings to Fosun International Limited and its subsidiaries. Fosun International Limited and its subsidiaries include Shanghai New Shihua Investment Management Co., Ltd.,Shanghai Fosun High Tech (Group) Company Limited and Shanghai Fosun Bund Property Co., Ltd.

(16) During the year of 2022, the Group received management services from subsidiaries of Fosun International Limited. The subsidiaries of Fosun International Limited include Shanghai Golte Property Management Co., Ltd and Beijing Golte Property Management Co., Ltd.

(17) Fosun International Limited is the ultimate holding company of the Group.

(18) Gland Chemicals Pvt Ltd., Dhananjaya Properties LLP, Sasikala Properties LLP and Mrs. K. Jhansi Lakshmi are no longer the related parties of the Group from 2022.

(19) Xingmai Information was an associate of the Group before August 2022 and was included in the scope of consolidation from August 2022.

(20) Shanghai Fosun Bund Property Co., Ltd. has been under the same ultimate control of the Group since March 2022.

(21) Fosun Nanfeng (Shenzhen) Medical Technology Co., Ltd. was a joint venture of the Group before August 2022 and was included in the scope of consolidation from August 2022.

(22) Shanghai Diai Medical Instrument Co., Ltd was no longer the related party of the Group since August 2021.

(23) StarKids Children's Hospital Shanghai was an associate of the Group before October 2022 and was included in the scope of consolidation from October 2022.

46. RELATED PARTY TRANSACTIONS (Continued)

(g) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 24, 26, 27, 31 and 32 to the financial statements.

For the year ended 31 December 2022, Chancheng Hospital increased prepayment of RMB166,402,000 to Foshan Chanxi for customized construction of women and children's medical centers and nursing homes.

(h) Compensation of key management personnel of the Group

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	34,102	34,172
Performance-related bonuses	69,178	61,739
Pension scheme contributions	1,304	1,047
	104,584	96,958

Further details of directors', supervisors' and the chief executive's emoluments are included in note 10 to the financial statements.

(i) Donations

	2022 RMB'000	2021 RMB'000
Fosun Charity Fund	18,964	23,605

For the year ended 31 December 2022, the Group donated RMB18,964,000 (2021: RMB23,605,000) to social welfare projects through Fosun Charity Fund.

(j) Purchase of non-controlling interest

	Notes	2022 RMB'000
Shanghai Fosun Health Industry Holdings Co., Ltd (note 6)	(1)	402,486
Windgothenburg (HK) Limited (note 6)	(2)	182,967
		585,453

46. RELATED PARTY TRANSACTIONS (Continued)

(j) Purchase of non-controlling interest (Continued)

Notes:

(1) During the year, the Group purchased non-controlling interest of Shanghai Futuo Biotechnology Development Co., Ltd. from Shanghai Fosun Health Industry Holdings Co., Ltd at a consideration of RMB402,486,000 for 49% equity in Shanghai Futuo Biotechnology Development Co., Ltd.

(2) During the year, the Group purchased the non-controlling interest of Fosun Medical Holdings AB from Windgothenburg (HK) Limited at a consideration of RMB182,967,000 for 45% equity in Fosun Medical Holdings AB.

(k) Guarantee provided by the related parties

As at 31 December 2021, Fosun International Limited and the company provided guarantee for Fosun Medical Holding AB, a subsidiary of the Company, to obtain loans at respective proportion of shares.

47. CONTINGENT LIABILITIES

As at 31 December 2022 and 2021, the Group did not have any contingent liabilities.

48. PLEDGE OF ASSETS

Details of the Group's interest-bearing bank and other borrowings, which are secured by the assets of the Group, are included in note 33 to the financial statements.

49. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2022

Financial assets	Financial assets at fair value through profit or loss Mandatorily designated as such RMB'000	Financial assets at fair value through other comprehensive income		Financial assets at amortised cost RMB'000	Total RMB'000
		Debt investments RMB'000	Equity investments RMB'000		
Equity investments designated at fair value through other comprehensive income	—	—	15,451	—	15,451
Financial assets at fair value through profit or loss	3,317,361	—	—	—	3,317,361
Debt investments at fair value through other comprehensive income	—	558,927	—	—	558,927
Trade and bills receivables	—	—	—	7,612,942	7,612,942
Financial assets included in prepayments, other receivables and other assets	—	—	—	615,128	615,128
Trade receivables — non-current	—	—	—	91,663	91,663
Other non-current assets	—	—	—	365,879	365,879
Cash and bank balances	—	—	—	16,241,313	16,241,313
	3,317,361	558,927	15,451	24,926,925	28,818,664

Financial liabilities	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	Designated as such up on initial recognition		
	RMB'000	RMB'000	RMB'000
Trade and bills payables	—	6,284,041	6,284,041
Financial liabilities included in other payables and accruals	—	5,521,270	5,521,270
Interest-bearing bank and other borrowings	—	29,116,228	29,116,228
Lease liabilities	—	929,398	929,398
Financial liabilities included in other long-term liabilities	2,182,394	313,690	2,496,084
	2,182,394	42,164,627	44,347,021

49. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

2021 (Restated)

Financial assets	Financial assets at fair value through profit or loss Mandatorily designated as such RMB'000	Financial assets at fair value through other comprehensive income		Financial assets at amortised cost RMB'000	Total RMB'000
		Debt investments RMB'000	Equity investments RMB'000		
Equity investments designated at fair value through other comprehensive income	—	—	29,916	—	29,916
Financial assets at fair value through profit or loss	5,447,558	—	—	—	5,447,558
Debt investments at fair value through other comprehensive income	—	427,884	—	—	427,884
Trade and bills receivables	—	—	—	6,045,947	6,045,947
Financial assets included in prepayments, other receivables and other assets	—	—	—	1,162,809	1,162,809
Trade receivables-non-current	—	—	—	77,395	77,395
Other non-current assets	—	—	—	148,208	148,208
Cash and bank balances	—	—	—	10,317,224	10,317,224
	5,447,558	427,884	29,916	17,751,583	23,656,941

Financial liabilities	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost RMB'000	Total RMB'000
	Designated as such up on initial recognition RMB'000		
Trade and bills payables	—	5,063,693	5,063,693
Financial liabilities included in other payables and accruals	—	5,179,334	5,179,334
Interest-bearing bank and other borrowings	—	24,509,312	24,509,312
Lease liabilities	—	789,856	789,856
Financial liabilities included in other long-term liabilities	1,729,070*	215,104	1,944,174
	1,729,070	35,757,299	37,486,369

* The amounts include the share redemption options granted to non-controlling shareholders of subsidiaries amounting to RMB1,550,983,000 (2021: RMB1,498,957,000), with non-current portion of RMB1,550,983,000 (2021: RMB1,498,957,000), of which fair value change is recognised in reserves due to the nature of equity transaction with non-controlling shareholders of the subsidiaries of the Group.

49. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

As at 31 December 2022, the Group endorsed certain bank acceptance bills in the PRC (the "Endorsed Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB579,469,000 (2021: RMB1,049,885,000). In addition, the Group discounted certain bank acceptance bills in the PRC included in debt investments at fair value through other comprehensive income (the "Discounted Bills") to certain banks to finance its operating cash flows with a carrying amount in aggregate of RMB937,379,000 (2021: RMB474,847,000). The Endorsed Bills and the Discounted Bills had a maturity from one to six months at the end of the reporting period. In accordance with the relevant laws and regulations in the PRC and relevant discounting arrangement with certain banks, the holders of the Endorsed Bills and the Discounted Bills have a right of recourse against the Group if the accepting banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Endorsed bills and the Discounted Bills. Accordingly, it has derecognised the full carrying amounts of the Endorsed Bills and the Discounted Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills and the undiscounted cash flows to repurchase these Endorsed Bills and Discounted Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills are not significant.

During the reporting period, the Group has not recognised any gain or loss on the date of transfer of the Endorsed Bills and the Discounted Bills. No gains or losses were recognised from the continuing involvement, both during the year or cumulatively. The endorsement and the discount have been made evenly throughout the reporting period.

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets:				
Equity investments designated at fair value through other comprehensive income	**15,451**	29,916	**15,451**	29,916
Debt investments at fair value through other comprehensive income	**558,927**	427,884	**558,927**	427,884
Financial assets at fair value through profit or loss	**3,317,361**	5,447,558	**3,317,361**	5,447,558
Trade receivables — non-current	**91,663**	77,395	**92,757**	78,319
	3,983,402	5,982,753	**3,984,496**	5,983,677
Financial liabilities:				
Non-current portion of interest-bearing bank borrowings	**11,600,437**	6,694,183	**11,699,168**	6,599,603
Interest-bearing other borrowings	**2,845,263**	3,686,254	**2,846,606**	3,654,328
Financial liabilities included in other long-term liabilities	**2,496,084**	1,944,174	**2,496,084**	1,944,174
	16,941,784	12,324,611	**17,041,858**	12,198,105

Management has assessed that the fair values of cash and bank balances, trade and bills receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial assets included in other non-current assets and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments or the interest rate is approximate to the discount rate of current market.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for the non-current portion of interest-bearing bank and other borrowings as at 31 December 2022 was assessed to be insignificant.

The fair values of listed corporate bond issued by the Company and equity investments without a lock-up period are based on quoted market prices. The fair values of listed equity investments with a lock-up period have been estimated based on assumptions that are supported by observable market prices and discount for lack of marketability. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income or profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 31 December 2022:

Unobservable inputs for Level 3 assets

The financial assets measured at fair value held by the Group which were classified in Level 3 primarily correspond to unlisted equity investments not quoted in an active market.

For the fair value of the unlisted equity investments is based on valuation techniques for which the input that is significant to the fair value measurement is unobservable. For certain unlisted equity investments, the Group adopts quotation from counterparties' quotations or valuation techniques to determine the fair value. Valuation techniques include a discounted cash flow analysis, the market comparison approach, etc. The fair value measurement of these financial instruments may involve unobservable inputs such as liquidity discount. Fair value change resulting from changes in the unobservable inputs was not significant. The Finance Department periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in Level 3.

Unobservable inputs for Level 3 liabilities

Significant unobservable valuation input for the share redemption option granted to non-controlling shareholders of subsidiaries included in other long-term liabilities of RMB1,550,983,000 (31 December 2021: RMB1,498,957,000 included in other long-term liabilities) is the progress of research and development activities or net profit of the subsidiaries.

Significant unobservable valuation input for other financial liabilities included in other long-term liabilities is value of net assets of subsidiaries.

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:
As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss *(note 28)*	637,661	626,683	2,053,017	3,317,361
Equity investments designated at fair value through other comprehensive income *(note 21)*	15,451	—	—	15,451
Debt investments at fair value through other comprehensive income	—	558,927	—	558,927
	653,112	1,185,610	2,053,017	3,891,739

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss *(note 28)*	3,259,068	573,994	1,614,496	5,447,558
Equity investments designated at fair value through other comprehensive income *(note 21)*	5,380	24,536	—	29,916
Debt investments at fair value through other comprehensive income	—	427,884	—	427,884
	3,264,448	1,026,414	1,614,496	5,905,358

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	Financial assets at fair value through profit or loss 2022 RMB'000	Financial assets at fair value through profit or loss 2021 RMB'000
As at 1 January	1,614,496	1,514,028
Transferred in	359,340	—
Transferred out	(151,938)	—
Total gains/(losses) recognised in the statement of profit or loss included in other gains	126,888	(633,699)
Total gains/(losses) recognised in other comprehensive income	80,510	(18,141)
Addition	584,047	822,912
Settlement	(560,326)	(70,604)
As at 31 December	2,053,017	1,614,496

During the year, the fair value measurements of financial assets at fair value through profit or loss held by the Group with the carrying amount of RMB11,973,000 were transferred from Level 2 to Level 1 (2021: RMB295,087,000) due to the end of the restricted stock trade period. The fair value measurements of financial assets at fair value through profit or loss held by the Group with the carrying amount of RMB61,743,000 were transferred from Level 3 to Level 1 (2021: Nil) due to the fact that the investee companies were listed and the shares were tradable. The fair value measurements of financial assets at fair value through profit or loss held by the Group with the carrying amount of RMB90,195,000 were transferred from Level 3 to Level 2 (2021: Nil) due to the fact that the investee companies were listed but still in the restricted sale period.

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Amounts included in other long-term liabilities	—	—	2,182,394	2,182,394

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Amounts included in other long-term liabilities	—	—	1,729,070	1,729,070

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of level 3 for financial liabilities (2021: Nil).

The movements in fair value measurements in Level 3 during the year are as follows:

	2022 RMB'000	2021 RMB'000
Amounts included in other long-term liabilities:		
At 1 January	**1,729,070**	73,503
Total gains recognised in other gains	**(47,761)**	—
Total losses recognised in other reserve	**52,026**	—
Addition	**449,059**	1,729,070
Settlement	**—**	(73,503)
At 31 December	**2,182,394**	1,729,070

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Assets for which fair values are disclosed

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Trade receivables — non-current	—	92,757	—	92,757

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Trade receivables — non-current	—	78,319	—	78,319

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Non-current portion of interest-bearing bank borrowings	—	11,699,168	—	11,699,168
Interest-bearing other borrowings	747,283	2,099,323	—	2,846,606
Amounts included in other long-term liabilities	—	313,690	—	313,690
	747,283	14,112,181	—	14,859,464

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Non-current portion of interest-bearing bank borrowings	—	6,599,603	—	6,599,603
Interest-bearing other borrowings	748,726	2,905,602	—	3,654,328
Amounts included in other long-term liabilities	—	215,104	—	215,104
	748,726	9,720,309	—	10,469,035

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and floating rate debts.

As at 31 December 2022, the total interest-bearing bank borrowings of RMB16,899,440,000 (31 December 2021: RMB7,968,364) of the Group were with floating interest rates denominated in RMB, USD or EUR.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax through the impact on floating rate borrowings.

Increase/(decrease) in the Group's profit after tax

	Increase/ (decrease) in basis %	Increase/ (decrease) in profit after tax RMB'000
2022		
RMB	1	(71,646)
USD	1	(36,038)
EUR	1	(19,061)
RMB	(1)	71,646
USD	(1)	36,038
EUR	(1)	19,061
2021		
RMB	1	(27,593)
USD	1	(28,138)
EUR	1	(3,075)
RMB	(1)	27,593
USD	(1)	28,138
EUR	(1)	3,075

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD,EUR and HKD exchange rates, with all other variables held constant, of the Group's profit after tax arising from USD, EUR and HKD denominated financial instruments.

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit after tax RMB'000
2022		
If RMB weakens against USD	5	17,257
If RMB strengthens against USD	(5)	(17,257)
If RMB weakens against EUR	5	2,811
If RMB strengthens against EUR	(5)	(2,811)
If RMB weakens against HKD	5	20,768
If RMB strengthens against HKD	(5)	(20,768)
2021		
If RMB weakens against USD	5	40,328
If RMB strengthens against USD	(5)	(40,328)
If RMB weakens against EUR	5	(97,642)
If RMB strengthens against EUR	(5)	97,642
If RMB weakens against HKD	5	36,087
If RMB strengthens against HKD	(5)	(36,087)

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk

The Group trades only with related companies and recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, and deposits and other receivables, arises from the default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Maximum exposure and year-end staging

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and bills receivables*	—	—	—	7,820,134	7,820,134
Debt investments at fair value through other comprehensive income*	558,927	—	—	—	558,927
Financial assets included in prepayments, other receivables and other assets					
— Normal**	636,158	—	—	—	636,158
Trade receivables -non-current	96,746	—	—	—	96,746
Other non-current assets	365,879	—	—	—	365,879
Cash and bank balances					
— Not yet past due	16,241,313	—	—	—	16,241,313
	17,899,023	—	—	7,820,134	25,719,157

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk (Continued)

As at 31 December 2021 (Restated)

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and bills receivables*	—	—	—	6,372,327	6,372,327
Debt investments at fair value through other comprehensive income*	427,884	—	—	—	427,884
Financial assets included in prepayments, other receivables and other assets					
— Normal**	1,183,500	—	—	—	1,183,500
Trade receivables -non-current	77,790	—	—	—	77,790
Other non-current assets	148,208	—	—	—	148,208
Cash and bank balances					
— Not yet past due	10,317,224	—	—	—	10,317,224
	12,154,606	—	—	6,372,327	18,526,933

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 26 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 26 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing borrowings. As at 31 December 2022, 55% (31 December 2021: 60%) of the Group's borrowings would mature in less than one year based on the carrying values of the borrowings.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2022	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	—	17,782,990	10,724,299	2,359,103	30,866,392
Lease liabilities	—	184,406	626,780	179,982	991,168
Trade and bills payables	—	6,284,041	—	—	6,284,041
Financial liabilities included in other payables and accruals	5,353,266	159,827	—	—	5,513,093
Financial liabilities included in other long-term liabilities	—	—	2,198,949	501,264	2,700,213
	5,353,266	24,411,264	13,550,028	3,040,349	46,354,907

2021 (Restated)	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	—	15,935,959	7,084,967	2,733,895	25,754,821
Lease liabilities	—	141,496	475,128	184,442	801,066
Trade and bills payables	—	5,063,693	—	—	5,063,693
Financial liabilities included in other payables and accruals	5,000,101	180,071	—	—	5,180,172
Financial liabilities included in other long-term liabilities	—	—	1,970,216	230,113	2,200,329
	5,000,101	21,321,219	9,530,311	3,148,450	39,000,081

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments included in financial assets at fair value through profit or loss (note 28) and equity investments at fair value through other comprehensive income (note 21) as at 31 December 2022. The Group's listed investments are listed on the stock exchanges in Shanghai, Shenzhen, Hong Kong, New York, NASDAQ and Korea which are valued at quoted market prices or using valuation techniques at the end of the reporting period.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2022	High/low 2022	31 December 2021	High/low 2021
Shanghai — A-share Index	3,238	3,807/3,025	3,814	3,894/3,519
Shanghai — STAR Index	1,398	1,365/868	1,393	1,611/1,220
Shenzhen — A-share Index	2,067	2,645/1,833	2,648	2,681/2,261
Shenzhen — GEM Index	2,347	3,250/2,151	3,323	3,563/2,633
Hong Kong — HSI Index	19,781	24,966/14,687	23,398	31,085/22,745
New York — NASDAQ Index	10,466	15,833/10,213	15,645	16,057/12,609
New York — NYSE Index	15,184	17,354/13,472	17,164	17,311/14,377
Korea — KOSPI Index	2,236	2,989/2,155	2,978	3,305/2,839

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the equity investments, with all other variables held constant and after any impact on tax, based on their carrying amounts at the end of the reporting period. For the purposes of this analysis, for the equity investments at fair value through other comprehensive income, the impact is deemed to be on the fair value reserve revaluation reserve, respectively.

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Equity price risk (Continued)

2022	Change in equity prices %	Carrying amount of equity investments RMB'000	Change in profit after tax RMB'000	Change in equity* RMB'000
Investments listed in:				
New York — Financial assets at fair value through profit or loss	10	208,400	20,840	—
New York — Financial assets at fair value through profit or loss	(10)	208,400	(20,840)	—
Shenzhen GEM — Financial assets at fair value through profit or loss	10	12,932	970	—
Shenzhen GEM — Financial assets at fair value through profit or loss	(10)	12,932	(970)	—
Shenzhen — Financial assets at fair value through profit or loss	10	350,287	26,336	—
Shenzhen — Financial assets at fair value through profit or loss	(10)	350,287	(26,336)	—
NASDAQ — Financial assets at fair value through profit or loss	10	51,774	5,177	—
NASDAQ — Financial assets at fair value through profit or loss	(10)	51,774	(5,177)	—
Taiwan — Financial assets at fair value through profit or loss	10	159,275	15,927	—
Taiwan — Financial assets at fair value through profit or loss	(10)	159,275	(15,927)	—
Hong Kong — Financial assets at fair value through profit or loss	10	379,318	37,932	—
Hong Kong — Financial assets at fair value through profit or loss	(10)	379,318	(37,932)	—
Shanghai — Equity investments at fair value through other comprehensive income	10	15,451	—	1,194
Shanghai — Equity investments at fair value through other comprehensive income	(10)	15,451	—	(1,194)
Shanghai STAR — Financial assets at fair value through profit or loss	10	40,615	3,046	—
Shanghai STAR — Financial assets at fair value through profit or loss	(10)	40,615	(3,046)	—
Korea KOSPI — Financial assets at fair value through profit or loss	10	61,743	6,174	—
Korea KOSPI — Financial assets at fair value through profit or loss	(10)	61,743	(6,174)	—
Total financial assets at fair value through profit or loss		1,264,344		
Total equity investments at fair value through other comprehensive income		15,451		

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Equity price risk (Continued)

2021	Change in equity prices %	Carrying amount of equity investments RMB'000	Change in profit after tax RMB'000	Change in equity* RMB'000
Investments listed in:				
New York — Financial assets at fair value through profit or loss	10	415,060	41,506	—
New York — Financial assets at fair value through profit or loss	(10)	415,060	(41,506)	—
Shenzhen GEM — Financial assets at fair value through profit or loss	10	17,277	1,296	—
Shenzhen GEM — Financial assets at fair value through profit or loss	(10)	17,277	(1,296)	—
Shenzhen — Financial assets at fair value through profit or loss	10	221,496	16,688	—
Shenzhen — Financial assets at fair value through profit or loss	(10)	221,496	(16,688)	—
NASDAQ — Financial assets at fair value through profit or loss	10	2,643,085	264,309	—
NASDAQ — Financial assets at fair value through profit or loss	(10)	2,643,085	(264,309)	—
Taiwan — Financial assets at fair value through profit or loss	10	89,499	8,950	—
Taiwan — Financial assets at fair value through profit or loss	(10)	89,499	(8,950)	—
Hong Kong — Financial assets at fair value through profit or loss	10	446,645	44,664	—
Hong Kong — Financial assets at fair value through profit or loss	(10)	446,645	(44,664)	—
Shanghai — Equity investments at fair value through other comprehensive income	10	29,916	—	2,297
Shanghai — Equity investments at fair value through other comprehensive income	(10)	29,916	—	(2,297)
Total financial assets at fair value through profit or loss		3,833,062		
Total equity investments at fair value through other comprehensive income		29,916		

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(f) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes interest-bearing bank and other borrowings, other long-term liabilities less cash and cash equivalents. Total equity includes equity attributable to owners of the parent and non-controlling interests. The gearing ratios as at the end of the reporting periods were as follows:

	2022	2021
	RMB'000	RMB'000 (Restated)
Interest-bearing bank and other borrowings *(note 33)*	**29,116,228**	24,509,312
Less: Cash and bank balances *(note 29)*	**(16,241,313)**	(10,317,224)
Net debt	**12,874,915**	14,192,088
Total equity	**54,058,193**	48,322,682
Total equity and net debt	**66,933,108**	62,514,770
Gearing ratio	**19%**	23%

52. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events since the end of the reporting period.

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2022	31 December 2021
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**6,478**	6,876
Other intangible assets	**1,608**	2,085
Investments in subsidiaries	**13,367,102**	11,356,873
Investments in associates	**7,926,186**	8,385,642
Financial assets at fair value through profit or loss	**312,796**	66,942
Other non-current assets	**4,667,335**	4,791,720
Total non-current assets	**26,281,505**	24,610,138
CURRENT ASSETS		
Prepayments, deposits and other receivables	**9,464,458**	9,955,890
Cash and bank balances	**2,283,272**	768,036
	11,747,730	10,723,926
Assets of a disposal group classified as held for sale	**57,280**	57,280
Total current assets	**11,805,010**	10,781,206
CURRENT LIABILITIES		
Other payables and accruals	**3,968,412**	3,581,573
Interest-bearing bank and other borrowings	**6,678,644**	6,822,443
Tax payable	**2,119**	100,000
Total current liabilities	**10,649,175**	10,504,016
NET CURRENT ASSETS	**1,155,835**	277,190
TOTAL ASSETS LESS CURRENT LIABILITIES	**27,437,340**	24,887,328
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**3,497,231**	5,156,886
Deferred tax liability	**968,947**	968,947
Other long-term liabilities	**2,577**	—
Total non-current liabilities	**4,468,755**	6,125,833
Net assets	**22,968,585**	18,761,495
EQUITY		
Share capital	**2,672,157**	2,562,899
Treasury shares	**(53,255)**	—
Reserves	**20,349,683**	16,198,596
Total equity	**22,968,585**	18,761,495

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Fair value reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 31 December 2020 and 1 January 2021	14,015,125	12,296	1,281,449	697,626	16,006,496
Total comprehensive income for the year	—	—	—	1,475,097	1,475,097
Transfer Investments in subsidiaries to another subsidiary without consideration	(180,000)	—	—	—	(180,000)
Final 2020 dividend declared and paid	—	—	—	(1,102,997)	(1,102,997)
At 31 December 2021	13,835,125	12,296	1,281,449	1,069,726	16,198,596

	Share premium RMB'000	**Fair value reserve RMB'000**	**Statutory surplus reserve RMB'000**	**Retained profits RMB'000**	**Total RMB'000**
At 31 December 2021 and 1 January 2022	**13,835,125**	**12,296**	**1,281,449**	**1,069,726**	**16,198,596**
Total comprehensive income for the year	**—**	**—**	**—**	**1,184,557**	**1,184,557**
Issue of A shares	**4,400,195**	**—**	**—**	**—**	**4,400,195**
Equity-settled share-based payments	**1,800**	**—**	**—**	**—**	**1,800**
Profit appropriation to reserves	**—**	**—**	**54,629**	**(54,629)**	**—**
Final 2021 dividend declared and paid	**—**	**—**	**—**	**(1,435,465)**	**(1,435,465)**
At 31 December 2022	**18,237,120**	**12,296**	**1,336,078**	**764,189**	**20,349,683**

54. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2023.

Definitions

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below.

"2022 Final Dividend"	the final dividend of RMB0.42 (before tax) per share for the year ended 31 December 2022
"2022 H Share Employee Share Ownership Scheme" or "H Share Employee Share Ownership Scheme"	the 2022 H Share Employee Share Ownership Scheme of the Company, the adoption of which was approved by the Shareholders at the extraordinary general meeting of the Company held on 29 November 2022
"2022 Restricted A Share Incentive Scheme" or "Restricted A Share Incentive Scheme"	the 2022 Restricted A Share Incentive Scheme of the Company, the adoption of which was approved by the Shareholders at the extraordinary general meeting, A Shareholders class meeting and H Shareholders class meeting of the Company held on 29 November 2022, respectively
"Abbott"	Abbott Operations Uruguay S.R.L., a company registered in Uruguay
"ADC"	Antibody-drug Conjugate
"Aleph"	Dalian Aleph Biomedical Co., Ltd.* (大連雅立峰生物製藥有限公司), a subsidiary of the Company
"Amgen"	Amgen Inc., a company registered in the United States, the shares of which are listed on the NASDAQ (Stock Code: AMGN)
"Anji Fund"	Anji Fuyao Xingyue Venture Capital Partnership (Limited Partnership)* (安吉復曜星越創業投資合夥企業(有限合夥)), a subsidiary of the Company
"API"	Active Pharmaceutical Ingredient
"A Share(s)"	domestic share(s) of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
"A Shareholder(s)"	holder(s) of A Shares
"Articles of Association"	the articles of association of the Company
"associates"	has the meaning given to it under the Hong Kong Listing Rules
"Avanc Pharma"	Jinzhou Avanc Pharmaceutical Company Limited* (錦州奧鴻藥業有限責任公司), a subsidiary of the Company
"Beijing Jiluohua" or "Daiichi Sankyo (Beijing)"	Beijing Jiluohua Pharmaceutical Co., Ltd.* (北京吉洛華製藥有限公司), formerly known as Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd.* (第一三共製藥(北京)有限公司), a subsidiary of the Company as at the end of the Reporting Period
"BIC"	Best-in-class
"BNTX"	BioNTech SE, a company registered in Germany, the shares of which are listed on the NASDAQ (Stock Code: BNTX)
"Board"	the board of Directors
"Breas"	Breas Medical Holdings AB, a company registered in Sweden, and a subsidiary of the Company
"BSE"	BSE Limited
"Carelife Pharma"	Chongqing Carelife Pharmaceutical Co., Ltd.* (重慶凱林製藥有限公司), a subsidiary of the Company
"Carephar"	Jiangsu Carephar Pharmaceutical Co., Ltd.* (江蘇柯菲平醫藥股份有限公司)
"CDMO"	Contract Development and Manufacturing Organization
"Cenexi"	Phixen, société par actions simplifiée, a company registered in France

"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Hong Kong Listing Rules
"Changjiang Pension"	Changjiang Pension Insurance Co., Ltd.* (長江養老保險股份有限公司), the management agency for the 2022 H Share Employee Share Ownership Scheme of the Company
"Changjiang Pension Employee Share Ownership Product"	Changjiang Pension Enterprise Employee Share Ownership Special Collective Group Pension Security Management Product (長江養老企業員工持股專項集合型團體養老保障管理產品)
"Chemo Biopharma"	Shanghai Chemo Biopharma Co., Ltd.* (上海凱茂生物醫藥有限公司), a subsidiary of the Company
"Cipla"	Cipla Limited, a company registered in India
"CMC"	Chemical Manufacturing and Control
"CMO"	Contract Manufacture Organization
"Code Provision"	code provisions under the CG Code
"Company" or "Fosun Pharma"	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (上海復星醫藥(集團)股份有限公司), a joint stock company established in the PRC with limited liability, whose H Shares and A Shares are listed and traded on the main board of the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively
"connected person(s)"	has the meaning given to it under the Hong Kong Listing Rules
"controlling shareholder(s)"	has the meaning given to it under the Hong Kong Listing Rules
"CSRC"	China Securities Regulatory Commission* (中國證券監督管理委員會)
"CQ Pharma Holdings"	Chongqing Pharmaceutical Holdings Company Limited* (重藥控股股份有限公司), the shares of which are listed and traded on the Shenzhen Stock Exchange (stock code: 000950)
"Dalian Fujian"	Dalian Fujian Xingweilai Venture Capital Investment Management Partnership (Limited Partnership)* (大連復健星未來創業投資管理合夥企業(有限合夥)), a subsidiary of the Company
"Dalian Fund"	Dalian Xingweilai Venture and Innovation Fund Partnership (Limited Partnership)* (大連星未來創業創新基金合夥企業(有限合夥)), a subsidiary of the Company
"Deed of Non-Competition"	the deed of non-competition dated 13 October 2012 and executed by the controlling shareholders in favour of the Company (for itself and as trustee of its subsidiaries from time to time)
"Dengrui Feiye"	Hubei Dengrui Feiye Company Limited* (湖北登瑞肥業有限公司), a subsidiary of the Company
"Director(s)"	director(s) of the Company
"Dongting Pharma"	Hunan Dongting Pharmaceutical Co., Ltd.* (湖南洞庭藥業股份有限公司), a subsidiary of the Company
"DTP"	Direct to Patient
"EBITDA"	earnings before interest, taxes, depreciation and amortization
"EU"	European Union
"EHS"	environment, health and safety
"Eurofarma"	Eurofarma Laboratorios S.A., a company registered in Brazil

Definitions

"FIC"	First-in-class
"Foshan Fosun Chancheng Hospital"	Foshan Fosun Chancheng Hospital Limited* (佛山復星禪誠醫院有限公司), a subsidiary of the Company
"Fosun Antejin"	Fosun Antejin (Chengdu) Biomedical Co., Ltd.* (復星安特金(成都)生物製藥有限公司), a subsidiary of the Company
"Fosun Finance"	Fosun Group Finance Corporation Limited* (上海復星高科技集團財務有限公司), a subsidiary of Fosun High Tech
"Fosun Health"	Shanghai Fosun Health Technology (Group) Co., Ltd.* (上海復星健康科技(集團)有限公司), a subsidiary of the Company
"Fosun Health Holding"	Shanghai Fosun Health Industry Holding Company Limited* (上海復星健康產業控股有限公司), a subsidiary of Fosun High Tech
"Fosun High Tech"	Shanghai Fosun High Technology (Group) Company Limited* (上海復星高科技(集團)有限公司), a direct wholly-owned subsidiary of Fosun International and a controlling shareholder of the Company
"Fosun Holdings"	Fosun Holdings Limited, a direct wholly-owned subsidiary of Fosun International Holdings and a controlling shareholder of the Company
"Fosun International"	Fosun International Limited, an indirect subsidiary of Fosun International Holdings and a controlling shareholder of the Company, the shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 00656)
"Fosun International Holdings"	Fosun International Holdings Limited, which was held as to 85.29% and 14.71% by Mr. Guo Guangchang and Mr. Wang Qunbin, respectively, as at the end of the Reporting Period, and a controlling shareholder of the Company
"Fosun Kite"	Fosun Kite Biological Technology Co., Ltd.* (復星凱特生物科技有限公司), a joint venture of the Company
"Fosun Pharmaceutical Industrial"	Shanghai Fosun Pharmaceutical Industrial Development Company Limited* (上海復星醫藥產業發展有限公司), a subsidiary of the Company
"Fosun Tourism"	Fosun Tourism Group, a company incorporated in Cayman Islands, the shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 01992)
"Fujian Fund"	Shanghai Fujian Equity Investment Fund Management Co., Ltd.* (上海復健股權投資基金管理有限公司), a subsidiary of the Com
"Fuyao Yingchuang"	Shanghai Fuyao Yingchuang Corporate Management Partnership (Limited Partnership)* (上海復耀瀛創企業管理合夥企業(有限合夥)), a subsidiary of the Company
"Fuyun Health"	Shanghai Fuyun Health Technology Co., Ltd.* (上海復雲健康科技有限公司), a subsidiary of the Company as at the end of the Reporting Period
"GDP"	Gross Domestic Product
"Genuine Biotech"	Henan Genuine Biotech Co., Ltd.* (河南真實生物科技有限公司)
"Getz Pharma"	Getz Pharma (Private) Limited and its subsidiary Getz Pharma International FZ-LLC
"Gland Pharma"	Gland Pharma Limited, a company incorporated in India and a subsidiary of the Company, the shares of which are listed on the BSE and NSE (Stock Code: GLAND)
"GMP"	Good Manufacture Practices
"GP"	general partner

"Group" or "we" or "Fosun Pharma Group"	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require)
"Guangzhou Xinshi Hospital"	Guangzhou Xinshi Hospital Co., Ltd.* (廣州新市醫院有限公司), a subsidiary of the Company as at the end of the Reporting Period
"Guilin Pharma"	Guilin Pharmaceutical Co., Ltd.* (桂林南藥股份有限公司), a subsidiary of the Company
"H Share(s)"	overseas listed foreign share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"H Shareholder(s)"	holder(s) of H Shares
"HKFRS"	the Hong Kong Financial Reporting Standards
"Hong Kong dollars"or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huanghe Pharma"	Jiangsu Huanghe Pharmaceutical Co., Ltd.* (江蘇黃河藥業股份有限公司), disposed through equity transfer in January 2022
"Intuitive Fosun HK"	Intuitive Surgical-Fosun (Hongkong) Co., Limited, a company registered in Hong Kong and an associated company of the Company
"Intuitive Fosun Shanghai"	Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd.* (直觀復星醫療器械技術(上海)有限公司), an associated company of the Company
"Intuitive Fosun"	Intuitive Fosun HK and Intuitive Fosun Shanghai
"KG Bio"	PT Kalbe Genexine Biologics, a company registered in Indonesia
"Kite Pharma"	KP EU C.V., a company registered in the Netherlands
"LP"	limited partner
"Macau"	the Macau Special Administrative Region of the PRC
"MAH"	Marketing Authorization Holder
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
"NAFMII"	The National Association of Financial Market Institutional Investors
"NASDAQ"	National Association of Securities Dealers Automated Quotation
"Nanjing Fuxin"	Nanjing Fuxin Equity Investment Management Partnership (Limited Partnership)* (南京復鑫股權投資管理合夥企業(有限合夥)), a subsidiary of the Company
"NDA"	new drug application
"NEEQ"	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
"Ningbo Fuji"	Ningbo Fuji Medical Technology Co., Ltd.* (寧波復技醫療科技有限公司), a subsidiary of the Company
"Ningbo Fumai"	Ningbo Meishan Bonded Port Area Fumai Investment Management Partnership (Limited Partnership)* (寧波梅山保税港區復脈投資管理合夥企業(有限合夥))
"Ningbo Fuying"	Ningbo Fuying Investment Co., Ltd.* (寧波復瀛投資有限公司), a subsidiary of the Company

Definitions

"NMPA"	National Medical Products Administration* (中國國家藥品監督管理局)
"Non-public Issuance"	the Company issued an aggregate of 106,756,666 new A Shares to subscribers in the non-public issuance of shares at the issue price of RMB42.00 per share in July 2022
"NSE"	The National Stock Exchange of India Limited
"OBM"	Original Brand Manufacturer
"Organon"	Organon LLC, a company registered in in United States, and a subsidiary of Organon & Co.
"PCT"	Patent Cooperation Treaty
"POCT"	Point-Of-Care Testing
"Red Flag Pharma"	Shenyang Red Flag Pharmaceutical Co., Ltd.* (瀋陽紅旗製藥有限公司), a subsidiary of the Company
"PRC" or "China"	The People's Republic of China
"PRC Company Law"	the Company Law of the PRC*(《中華人民共和國公司法》)
"PRC Securities Law"	the Securities Law of the PRC* (《中華人民共和國證券法》)
"R&D"	research and development
"Reporting Period"	the 12-month period from 1 January 2022 to 31 December 2022
"restricted A Share(s)"	the A Share(s) granted by the Company to a participant according to the conditions and price stipulated under the 2022 Restricted A Share Incentive Scheme which are subject to the restriction period and can only be unlocked and transferred after the unlocking conditions are satisfied
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shangdong Erye"	Shandong Erye Pharmaceutical Co., Ltd.* (山東二葉製藥有限公司), a subsidiary of the Company
"Shanghai Fosun Biological"	Shanghai Fosun Biological Technology Co., Ltd.* (上海星佰生物技術有限公司), deregistered in November 2022
"Shanghai Futuo"	Shanghai Futuo Biotech Development Co., Ltd.* (上海復拓生物科技發展有限公司), a subsidiary of the Company
"Shanghai Henlius"	Shanghai Henlius Biotech, Inc.* (上海復宏漢霖生物技術股份有限公司), a company listed on the Hong Kong Stock Exchange (Stock code: 02696) and a subsidiary of the Company
"Shanghai Listing Rules"	the Stock Listing Rules of the Shanghai Stock Exchange* (《上海證券交易所股票上市規則》)
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Shanghai Transfusion"	Shanghai Transfusion Technology Co., Ltd.* (上海輸血技術有限公司), disposed through equity transfer in February 2022
"Shanghai Xingchuang Health"	Shanghai Xingchuang Health Technology Co., Ltd.* (上海星創健康科技有限公司), a subsidiary of the Company as at the end of the Reporting Period
"Shanghai Xingchen Children's Hospital"	Shanghai Xingchen Children's Hospital Co., Ltd.* (上海星晨兒童醫院有限公司), a subsidiary of the Company as at the end of the Reporting Period

"Shanghai Zhuorui"	Shanghai Zhuorui Integrated Outpatient Limited Company* (上海卓瑞綜合門診部有限公司), a subsidiary of the Company
"Shareholder(s)"	holder(s) of Shares
"Shares"	ordinary shares in the capital of the Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所)
"Shine Star"	Shine Star (Hubei) Biological Engineering Co., Ltd.* (湖北新生源生物工程有限公司) a subsidiary of the Company
"Sinopharm Industrial"	Sinopharm Industrial Investment Co., Ltd.* (國藥產業投資有限公司), an associate of the Company
"Sinopharm"	Sinopharm Group Co. Ltd.* (國藥控股股份有限公司), a company whose H shares are listed on the Hong Kong Stock Exchange (stock code: 01099) and a subsidiary of Sinopharm Industrial
"Sisram Medical"	Sisram Medical Ltd, a subsidiary of the Company, the shares of which are listed on the Hong Kong Stock Exchange (stock code: 01696)
"substantial shareholder(s)"	has the meaning given to it under the Hong Kong Listing Rules
"Supervisors"	the members of the Supervisory Committee
"Supervisory Committee"	the supervisory committee of the Company
"Suqian Zhongwu"	Suqian Zhongwu Hospital Co., Ltd.* (宿遷市鐘吾醫院有限責任公司), a subsidiary of the Company
"Suzhou Abcarta"	Suzhou Abcarta Medical Technology Co., Ltd.* (蘇州百道醫療科技有限公司), a subsidiary of the Company
"Suzhou Erye"	Suzhou Erye Pharmaceutical Co., Ltd., * (蘇州二葉製藥有限公司, a subsidiary of the Company
"Suzhou Fund"	Suzhou Fujian Xingyi Venture Investment Partnership (Limited Partnership)* (蘇州復健星熠創業投資合夥企業(有限合夥))
"Suzhou Xingchen"	Suzhou Xingchen Venture Investment Partnership (Limited Partnership)* (蘇州星晨創業投資合夥企業(有限合夥)), a subsidiary of the Company
"Suzhou Xingweilai Fund"	Suzhou Xingsheng Yuanfeng Venture and Investment Partnership (Limited Partnership)* (蘇州星盛園豐創業投資合夥企業(有限合夥)), a subsidiary of the Company
"Syneos Health"	Syneos Health, Inc., a company registered in United States
"Tianjin Fund"	Tianjin Fosun Haihe Healthcare Industry Fund Partnership (Limited Partnership)* (天津復星海河醫療健康產業基金合夥企業(有限合夥))
"Tianjin Xingsiyi"	Tianjin Xingsiyi Biotechnology Co., Ltd.* (天津星絲奕生物科技有限公司)
"Tianjin Xingyao"	Xingyao (Tianjin) Investment Management Partnership (Limited Partnership)* (星耀(天津)投資管理合夥企業(有限合夥)), a subsidiary of the Company
"U.S. FDA"	U.S. Food and Drug Administration
"U.S." or "United States"	United States of America, its territories and possessions, any state of the United States and the District of Columbia
"US$"	United States dollars, the lawful currency of the United States

Definitions

"Wanbang Folon"	Hebei Wanbang Folon Pharmaceutical Company Limited* (河北萬邦復臨藥業有限公司), a subsidiary of the Company
"Wanbang Pharma"	Jiangsu Wanbang Biopharmaceutical Company Limited* (江蘇萬邦生化醫藥集團有限責任公司), a subsidiary of the Company
"WHO"	World Health Organization
"Written Code"	Written Code for Securities Transactions by Directors/Relevant Employees of the Company* (《董事／有關僱員進行證券交易的書面守則》)
"Xingjian Ruiying Fund"	Nanjing Xingjian Ruiying Equity Investment Partnership (Limited Partnership)* (南京星健睿贏股權投資合夥企業(有限合夥)), a subsidiary of the Company
"Xingmai Technology"	Shanghai Xingmai Information Technology Co., Ltd.* (上海杏脈信息科技有限公司), a subsidiary of the Company as at the end of the Reporting Period
"Xingnuo Pharma"	Jiangsu Xingnuo Pharmaceutical Technology Company Limited* (江蘇星諾醫藥科技有限公司), a subsidiary of the Company
"Xingsheng Fuying"	Suzhou Xingzheng Fuying Corporate Management Partnership (Limited Partnership)* (蘇州星盛復盈企業管理合夥企業(有限合夥)), a subsidiary of the Company
"Xingshuangjian Investment"	Shanghai Xingshuangjian Investment Management Co., Ltd.* (上海星雙健投資管理有限公司)
"Xingxiao Medical"	Shanghai Xingxiao Medical Investment Management Co., Ltd.* (上海星孝醫療投資管理有限公司), deregistered in October 2022
"Xinxing Rehabilitation"	Suqian Xinxing Rehabilitation and Medical Examination Co., Ltd.* (宿遷市新星康復體檢有限公司), a subsidiary of the Company
"Xuzhou Fengyouhui"	Xuzhou Fengyouhui Pharmaceutical Retail Co., Ltd.* (徐州風友匯藥品零售有限公司), deregistered in February 2022
"Xuzhou Fund"	Xuzhou Fuyao Xingpeng Venture Capital Partnership (Limited Partnership)* (徐州復曜星彭創業投資合夥企業(有限合夥)), a subsidiary of the Company
"Yadong Zhijian"	Yadong Zhijian Information Technology Co., Ltd.* (亞東智健信息科技有限公司), a subsidiary of Fosun High Tech
"Yaneng Biotech"	Yaneng Biotechnology (Shenzhen) Co., Ltd.* (亞能生物技術(深圳)有限公司), an associated company of the Company as at the end of the Reporting Period
"Yao Pharma"	Chongqing Yao Pharmaceutical Company Limited* (重慶藥友製藥有限責任公司), a subsidiary of the Company
"Zhaohui Pharma"	Shanghai Zhaohui Pharmaceutical Co., Ltd.* (上海朝暉藥業有限公司), a subsidiary of the Company
"%"	per cent

In this annual report, if there is any inconsistency between the Chinese names of the entities, authorities, organizations, institutions or enterprises established in China or the awards or certificates given in China and their English translations, the Chinese version shall prevail.

* for identification purposes only

FOSUN PHARMA

Innovation for Good Health

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