國藥控股股份有限公司

SINOPHARM GROUP CO. LTD.*

(A joint stock limited company incorporated in the People's Republic of China with limited liability and carrying on business in Hong Kong as 國控股份有限公司)

Stock Code: 01099

Annual Report 2022

* The Company is registered as a non-Hong Kong company under the Hong Kong Companies Ordinance under its Chinese name and the English name "Sinopharm Group Co. Ltd.".

COMPANY PROFILE

The Company was established in January 2003 and listed on The Stock Exchange of Hong Kong Limited (stock code: 01099. HK) in September 2009, is a core subsidiary of China National Pharmaceutical Group Co., Ltd. and the largest wholesaler and retailer of pharmaceutical and medical device and healthcare products, and a leading supply-chain service provider in the PRC.

The Group is mainly engaged in pharmaceutical and medical device distribution business. Leveraging on its nationwide distribution and delivery network, the Group provides comprehensive distribution, delivery and other value-added services to domestic and foreign manufacturers and suppliers of pharmaceutical products, medical devices and consumables and other healthcare products, and also to downstream customers including hospitals, other distributors, retail drug stores and primary health services institutions.

Meanwhile, the Group manages its network of retail drug stores chain in major cities of China via direct operations and franchises to sell pharmaceutical and healthcare products to end customers. It has become a leader in China's pharmaceutical retail industry.

Besides, the Group is also engaged in the production and sale of pharmaceutical products, chemical reagents and laboratory supplies, and actively engaged in the innovation of pharmaceutical, medical services and other health-related industries, to explore the synergistic development of its diversified businesses.

Taking advantage of its superior economies of scale, customer resources, network platforms and brand position, the Group will fully leverage on China's pharmaceutical and healthcare market, which shows steady and healthy growth, and capture opportunities arising from healthcare reform to further consolidate and enhance its market leadership, actively striving to become an efficient organizer of pharmaceutical supply chain and comprehensive service solution provider in the industry.

CORPORATE VISION

Becoming a distinguished (technological and innovative) global pharmaceutical and healthcare service provider

CORPORATE MISSION

All for Health
Health for All

Contents

Corporate Information

As at the date of this report

Directors

Mr. Yu Qingming *(Executive Director and Chairman)*
Mr. Liu Yong *(Executive Director and President)*
Mr. Chen Qiyu *(Non-executive Director and Vice Chairman)*
Mr. Hu Jianwei *(Non-executive Director)*
Mr. Ma Ping *(Non-executive Director)*
Mr. Deng Jindong *(Non-executive Director)*
Mr. Wang Kan *(Non-executive Director)*
Mr. Wen Deyong *(Non-executive Director)*
Mr. Li Dongjiu *(Non-executive Director)*
Ms. Feng Rongli *(Non-executive Director)*
Mr. Zhuo Fumin *(Independent Non-executive Director)*
Mr. Chen Fangruo *(Independent Non-executive Director)*
Mr. Li Peiyu *(Independent Non-executive Director)*
Mr. Wu Tak Lung *(Independent Non-executive Director)*
Mr. Yu Weifeng *(Independent Non-executive Director)*

Supervisors

Ms. Guan Xiaohui *(Chief Supervisor)*
Mr. Liu Zhengdong
Mr. Wang Peng
Mr. Liu Hongbing
Ms. Lu Haiqing

Company Secretary

Mr. Wu Yijian

Strategy and Investment Committee

Mr. Yu Qingming *(Chairman)*
Mr. Liu Yong
Mr. Chen Qiyu
Mr. Hu Jianwei
Mr. Ma Ping
Mr. Deng Jindong
Mr. Wen Deyong
Mr. Li Dongjiu
Mr. Chen Fangruo
Mr. Li Peiyu

Audit Committee

Mr. Wu Tak Lung *(Chairman)*
Mr. Li Dongjiu
Mr. Zhuo Fumin
Mr. Li Peiyu

Remuneration Committee

Mr. Li Peiyu *(Chairman)*
Ms. Feng Rongli
Mr. Wu Tak Lung
Mr. Yu Weifeng

Nomination Committee

Mr. Yu Qingming *(Chairman)*
Mr. Hu Jianwei
Ms. Feng Rongli
Mr. Zhuo Fumin
Mr. Chen Fangruo
Mr. Wu Tak Lung
Mr. Yu Weifeng

Legal and Compliance and Environmental, Social and Governance Committee

Mr. Yu Weifeng *(Chairman)*
Mr. Yu Qingming
Mr. Liu Yong

Authorized Representatives

Mr. Yu Qingming
Mr. Wu Yijian

Legal Advisers

As to Hong Kong and United States laws:
DLA Piper UK LLP

As to PRC law:
Guantao Law Firm Shanghai Office
Shanghai Boss & Young Attorneys at Law

Auditor

International auditor:
Ernst & Young
Registered PIE auditor

Domestic auditor:
Ernst & Young Hua Ming LLP

Principal Place of Business in Hong Kong

Room 1601,
Emperor Group Center,
288 Hennessy Road,
Wanchai, Hong Kong

Principal Place of Business and Headquarters in the PRC

Sinopharm Group Building,
No. 385, East Longhua Road, Huangpu District,
Shanghai 200023, the PRC

Registered Office in the PRC

1st Floor, No.385,
East Longhua Road,
Huangpu District,
Shanghai 200023, the PRC

Company's Website

www.sinopharmgroup.com.cn

H Share Registrar

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

Stock Code

01099

Principal Banks

Bank of Communications Co., Ltd., Shanghai Branch
China Merchants Bank Co., Ltd., Shanghai Branch
Bank of China Limited, Shanghai Branch
China Minsheng Banking Corp., Ltd., Shanghai Branch
Industrial and Commercial Bank of China Limited, Shanghai Branch
Agricultural Bank of China Co., Ltd., Shanghai Branch
China Construction Bank Co., Ltd., Shanghai Branch

Office of Board of Directors

Tel: (+86 21)2305 2666
Email: ir@sinopharm.com/sinopharm@wsfg.hk

Definitions

In this annual report, unless the context otherwise requires, the following expressions have the following meanings:

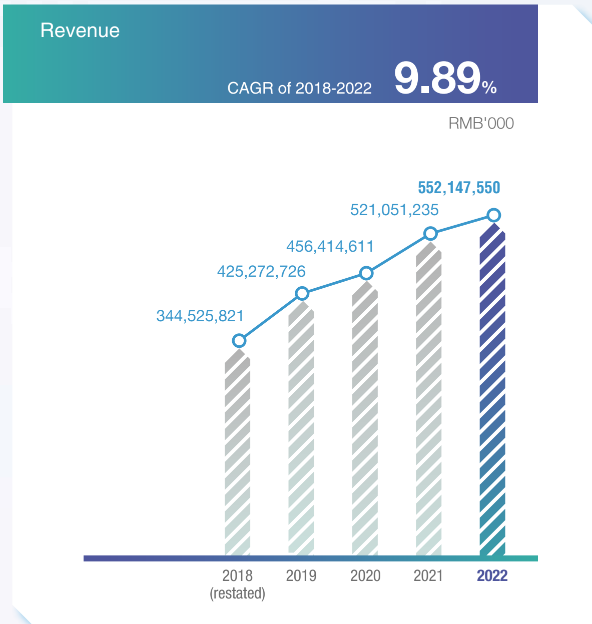
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of directors of the Company
"CBIRC"	China Banking and Insurance Regulatory Commission
"CNPGC"	China National Pharmaceutical Group Co., Ltd. (中國醫藥集團有限公司), a state wholly-owned enterprise incorporated in the PRC and the ultimate controlling shareholder of the Company
"CNPGC Group"	CNPGC and its subsidiaries and associates (excluding the Group)
"Company" or "Sinopharm Group"	Sinopharm Group Co. Ltd. (國藥控股股份有限公司), a joint stock company incorporated under the laws of the PRC with limited liability and whose H shares are listed and traded on the Hong Kong Stock Exchange
"CSIMC"	China National Scientific Instruments and Materials Co., Ltd. (中國科學器材有限公司), a company incorporated in the PRC with limited liability
"Directors"	the director(s) of the Company
"Factoring Company"	Sinopharm Puxin Commercial Factoring Company Limited (國藥樸信商業保理有限公司), a company incorporated in the PRC with limited liability
"Finance Company"	Sinopharm Group Finance Co., Ltd. (國藥集團財務有限公司), a company incorporated in the PRC with limited liability, which is a non-bank financial institution
"Fosun High Technology"	Shanghai Fosun High Technology (Group) Company Limited (上海復星高科技（集團）有限公司), a company incorporated in the PRC with limited liability
"Fosun Holdings"	Fosun Holdings Limited (復星控股有限公司), a company incorporated in the PRC with limited liability
"Fosun International"	Fosun International Limited (復星國際有限公司), a joint stock company incorporated in the PRC with limited liability, whose H shares are listed and traded on the Hong Kong Stock Exchange
"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, the H shares and A shares of which are listed and traded on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively

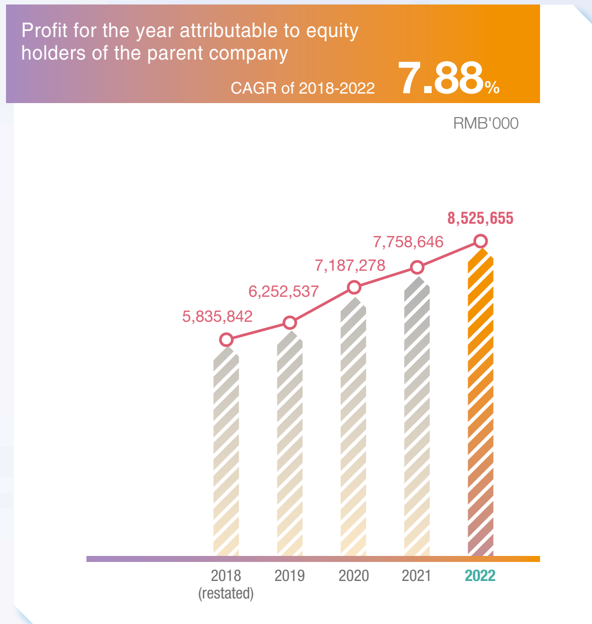
"Group"	the Company and its subsidiaries
"Henlius"	Shanghai Henlius Biotech, Inc. (上海復宏漢霖生物技術股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose H shares are listed and traded on the Hong Kong Stock Exchange
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Natong Group Company"	Beijing Natong Technology Group Co., Ltd. (北京納通科技集團有限公司), a company incorporated in the PRC with limited liability
"PBOC"	the People's Bank of China
"RMB"	Renminbi, the lawful currency of the PRC
"Shareholder(s)"	the shareholder(s) of the Company
"Sinopharm Accord"	China National Accord Medicines Corporation Ltd. (國藥集團一致藥業股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose A shares and B shares are listed and traded on the Shenzhen Stock Exchange
"Sinopharm (CNMC LTD)"	China National Medicines Corporation Ltd. (國藥集團藥業股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose A shares are listed and traded on the Shanghai Stock Exchange
"Sinopharm Investment"	Sinopharm Industrial Investment Co., Ltd. (國藥產業投資有限公司), a company incorporated in the PRC with limited liability
"Supervisor(s)"	the supervisor(s) of the Company

Financial Highlights

RMB'000

	2018	2018 (restated)	2019	2020	2021	**2022**
Operating results						
Revenue	344,525,821	344,525,821	425,272,726	456,414,611	521,051,235	**552,147,550**
Gross profit	31,228,092	31,228,092	37,531,303	40,323,311	44,050,608	**47,434,060**
Operating profit	15,396,806	14,067,974	16,136,744	17,759,975	19,711,976	**20,604,466**
Earnings before interest and tax	16,321,803	14,992,971	16,903,274	18,545,111	20,406,031	**21,753,811**
Profit for the year attributable to equity holders of the parent company	5,835,842	5,835,842	6,252,537	7,187,278	7,758,646	**8,525,655**
Profitability						
Gross margin	9.06%	9.06%	8.83%	8.83%	8.45%	**8.59%**
Operating margin	4.47%	4.08%	3.79%	3.89%	3.78%	**3.73%**
Net profit margin	2.73%	2.73%	2.50%	2.65%	2.51%	**2.60%**
Asset status						
Total assets	235,771,077	235,771,077	269,888,371	311,236,706	335,412,321	**364,775,134**
Equity attributable to equity holders of the parent company	42,821,826	42,821,826	47,422,146	56,358,845	61,886,015	**68,068,559**
Total liabilities	167,495,310	167,495,310	192,949,004	221,289,385	235,758,386	**254,705,944**
Cash and cash equivalents	40,298,985	40,298,985	39,191,967	50,178,265	43,529,428	**55,221,624**
Gearing ratio	71.04%	71.04%	71.49%	71.10%	70.29%	**69.83%**
Liquidity ratio						
Current ratio (times)	1.28	1.28	1.29	1.31	1.33	**1.36**
Inventory turnover ratio (days)	38	38	36	39	37	**40**
Trade receivables turnover ratio (days)	99	99	98	107	111	**113**
Trade payables turnover ratio (days)	90	90	85	92	91	**95**
Data per share (RMB)						
Earnings per share – Basic	1.97	1.97	2.11	2.31	2.49	**2.73**
Earnings per share – Fully diluted	1.96	1.96	2.10	2.31	2.49	**2.73**





Revenue over
RMB550 billion
Year-on-year growth of
5.97%

Year-on-year growth in operating profit of
4.53%

Year-on-year growth in earnings before interest and tax of
6.60%

Year-on-year growth in profit for the year of
9.80%

All for Health
Health for All

Adhering to the corporate philosophy of “All for Health, Health for All”, Sinopharm Group has been devoting itself to be the “efficient organizer of pharmaceutical supply chain and comprehensive service solution provider in the industry”.


HS
OH
HN

Chairman's Statement

Yu Qingming
Chairman & Executive Director

Dear shareholders,

The much-watched National People's Congress (NPC) and Chinese People's Political Consultative Conference (CPPCC) have just concluded, and the government has drawn a blueprint for China's economic development in the post-pandemic era, New emerging industries such as biopharmaceuticals, high-end equipment, modern logistics are elevated to new heights in the Report on the Work of the Government (2023). With the overall improvement of the pandemic prevention and control situation and the smooth and regular management of measures against the "Class B infectious diseases" in China, we believe that the pharmaceutical industry will enter the road of rapid development, and China's economy will also usher in a more stable development.

In 2022, the China's economy had made extraordinary achievements. It was also a year in which everyone in the Group was united, faced difficulties, courageously shouldered missions as one, and moved forward under pressure. We focused on the annual goals and tasks, overcame difficulties and took the initiative to maintain a good trend of overall stable operation and steady growth of scale and benefits. The Group's annual revenue exceeded RMB550 billion, with both net profit and net profit attributable to the parent company achieving nearly 10% growth, successfully achieving all annual performance targets and steadily increasing its market share. In 2022, the Group was ranked 24th on the Fortune 500 China list, ranking first in the pharmaceutical industry and further consolidating its leading position in the industry.

We have come a long way and encountered countless challenges along the way. As a pioneer and practitioner of mixed-ownership reform, we have always played an exemplary and leading role in the pharmaceutical distribution industry in China and provided our shareholders with continuous and steady development and growth. Looking back to the past 20 years, we have weathered the storms and overcome the obstacles of profound changes and policy adjustments in the pharmaceutical industry as well as the painful period of reform, we embraced changes and created a new situation. Since our revenue exceeded RMB100 billion in 2011, we have jumped four consecutive steps of RMB100 billion to the current level of over RMB550 billion in just 10 years, fully demonstrating the Group's tremendous growth potential and development momentum. As of the end of the Reporting Period, the Group's net profit exceeded RMB14 billion, and we are insisting on sharing the results of corporate development with our investors.

By sticking to our original beliefs consistently, we are sure to succeed in the end. All for health, health for all, and putting people first and life first, is our noble mission, and also our original intention. As a central government-owned enterprise and a major enterprise in the pharmaceutical industry, in 2022, the Group vigorously promoted entrepreneurship and undertook the mission of pandemic prevention and control. As a central medical reserve entity, we have fully ultilized the advantages of having "strong distribution sites and a smooth distribution network covering the whole country", coordinated trans- provincial allocation of key medical materials, and supported areas suffering from severe pandemics in a timely manner. More than 10,000 retail pharmacies across the country has supplied pandemic prevention materials at stable prices, the Group have supplied more than 4 billion pieces of pandemic prevention materials for the whole country, building a strong line of defense against the pandemic. Besides, the Group actively responds to the national call for "green development" and always insists on innovative development, green development and high-quality development. With outstanding performance, the Group's governance achievement in the field of sustainable development was highly recognized by international authoritative index agencies as well as domestic government agencies and financial and economic media in 2022, and received a number of authoritative awards in ESG areas, the Group's green development has ushered in new opportunities while brand reputation has continued to improve.

The one who understands the trend and who masters the trend wins and achieves the goals. The Group keeps pace with the development of China's pharmaceutical industry and actively carries out benchmarking world-class management and improvement actions. We focus on the Healthy China initiative, firmly grasp the primary task of high-quality development, continuously promote the optimization of our business structure, with the leading scale of medical device distribution and retail pharmacy in China. We have further increased investment in research and innovation, made new breakthroughs in industrial development, and accelerated and upgraded digital transformation. We have implemented organizational changes around key businesses to optimize our vertical management and control model. We have accelerated resource integration and deepened regional integration to lay a solid foundation for sustainable high-quality development of enterprises. The Board of Directors of the Group fully plays its role in "setting strategy, making decisions and preventing risks", highlights top- level design, and continues to strengthen the strategic research and judgment of specialized segments such as logistics, medical device, retail pharmacy, chemical reagent and comprehensive health, in order to grasp the development trend. The Group focuses on the independent role of independent non- executive directors and strives build a board team of "specialization and diversity" and a board culture of "equality and respect, harmony and independent opinions", and the level of corporate governance continues to improve. The market-oriented operation mechanism of the Group has been continuously improved, the tenure system and contractual management of management members have been carried out in an orderly manner, the construction of talent team has continued to be strengthened and the talent planning system has been further improved. In the future, the motivation for Sinopharm the Group to transform and upgrade would be even stronger.

Chairman's Statement

In 2023, on the occasion of the 20th anniversary of the establishment of the Group, the complex and changeable external environment puts forward higher requirements for the Group's operating quality and risk resistance capacity. The Group will continue to adhere to taking the "14th Five-Year Plan" development strategy as a guide, benchmark the world-class enterprises, and build a leading brand of modern pharmaceutical listed companies with the general idea of focusing on the main business, value enhancement, technology empowerment, innovation-driven and high-quality development.

Great accomplishments require ambition and tireless effort. In 2023, we will focus on high position, broader perspective and high standards, take value creation as the key starting point, deeply study the strategic layout of retail pharmacy, medical device, logistics, chemical reagent, comprehensive health and other segments, give play to the leading advantage of the Company in the pharmaceutical circulation industry, and continuously enhance the Company's value creativity and international competitiveness. We will accelerate the green transformation, actively respond to the national strategy of "carbon neutrality and carbon emission peaking", and strive to promote the coordination and unity of economic development and environmental friendliness. We will continue to pay attention to the effectiveness of the integration of the concept of sustainable development with the Company's strategy and governance system, and promote the green development strategy of logistics. We will persist in innovation-driven, unswervingly run through the goal of high-quality development, continue to strengthen the main business, intensify the scientific research and development, deepen the construction of innovative systems and mechanisms, increase the introduction of high-level talents, promote the innovation of business models, and strive to create the new industrial advantages. We will further promote the digital transformation, build the Company's core competitiveness, aim at building the brand-new pharmaceutical and healthcare digital industry ecology, empower pharmaceutical services in a digital way, and stimulate the Company's vitality and potential. We will continue to strengthen risk prevention, ensure the safety of funds, promote operations in compliance with laws and regulations, strictly control the lifeline of quality and accelerate the Company's high-quality development.

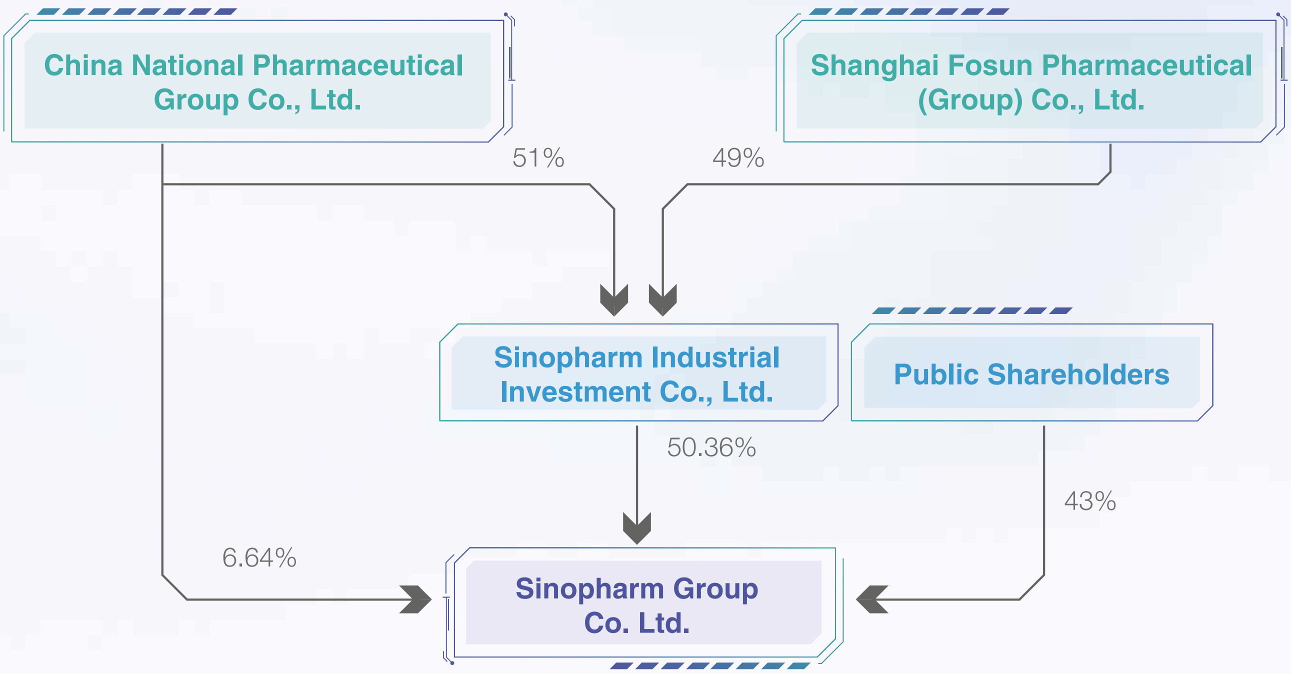
Striving for 20 years, the Group is full of vigor and vitality. The year 2023 is not only a milestone in the development history of the Group, but also a new starting point for the further development of the Group's people. I would like to express my heartfelt gratitude to all shareholders and members from all walks of life for your long-term trust and support to Sinopharm on behalf of the Board of Directors and all employees of the Company. We will surely lead all management and employees of the Group to forge ahead, make progress and fully sprint with more enthusiasm, high morale and sufficient energy, and make full efforts to repay shareholders, customers, society and employees with sustainable, healthy and high-quality enterprise development in the future. Look forward to working with you to witness every step of the growth of the Group!

Yu Qingming
Chairman & Executive Director

Shanghai, the PRC
24 March 2023

Shareholding Structure of the Company

As at the date of this report, the simplified structure of the Company was as follows:



Management Discussion and Analysis

Liu Yong
President & Executive Director

Industry Overview

Actively overcame the challenges arising from the pandemic and the macro-economy turned to recovery

In 2022, facing the challenges brought by the increasingly complicated international environment and pandemic situation, China's economy developed continuously and steadily and completed various difficult domestic reform and development tasks. The economic aggregate of China reached a new level. According to the data released by the National Bureau of Statistics of China, the annual gross domestic product (GDP) in 2022 exceeded RMB121 trillion, up 3.0% compared with 2021.

On a quarterly basis, as compare with same period of last year, GDP in the first quarter grew 4.8%, the second quarter grew 0.4%, the third quarter grew 3.9%, and the fourth quarter grew 2.9%. When compared with the previous quarter, the growth of GDP in the fourth quarter was in line with that of the third quarter. China's economy sustained development against the pressure. After the pandemic was under control in the first half of the year, it showed a reverse recovery, and its economic growth potential and resilience were constantly emerging.

The deepening medical reform promoted the transformation and the industry recovery maintained a sound momentum

In 2022, with the continuous adjustment and optimization of pandemic prevention and control measures in China, the impact on pharmaceutical and medical device distribution and retail pharmacy business resulting from the recurring outbreak of the pandemic has been gradually mitigated. Under the background of a huge population base, accelerating trend of population aging, medical technology innovation and deepening reform of medical system, the growing demand of the people for pharmaceutical and healthcare services has promoted the overall stabilization and recovery of the pharmaceutical and healthcare industry and accelerated the release of the potential of China's medical and healthcare industry.

With the expansion and deepening of the medical reform policy and the improvement of the concentration of the pharmaceutical circulation industry, the importance of the core competitiveness and operational efficiency of enterprises has also been continuously improved, and the demand for highly viscous and customized business has accelerated to grow, promoting the continuous transformation and innovation of the service model of pharmaceutical circulation enterprises.

Review on Business Highlights

In 2022, the changes in the environment such as the recurring and continuous outbreak of the COVID-19 pandemic and the increasing uncertainty of the economic operation brought severe challenges to the Group's business development. Under the leadership of the Board and the management, the Group actively followed the national strategy, firmly grasped the primary task of high-quality development, efficiently coordinated pandemic prevention and control and business development, encouraged business transformation and innovation while sparing no effort on guaranteeing the steady growth of various businesses to ensure that the various development targets can be achieved progressively. In 2022, the Group's economies of scale continued to emerge, with its operating income reaching RMB552,147.55 million, representing a year-on-year increase of 5.97%, and its market share accelerated to increase, so as to continuously consolidated its leading position in the industry.

The outbreak of the pandemic and further implementation of the medical insurance reform exerted pressure on the growth rate and the profitability of the pharmaceutical distribution business. During the Reporting Period, the Group courageously responded to the challenges. While striving to improve the economies of scale of distribution business, the Group actively promoted the optimization of the business structure, which successfully resisted the negative impact of the decline in selling prices and profitability brought about by the expansion of the volume-based procurement ("VBP") of drugs and medical device. The gross profit margin increased by 0.14 percentage point from 2021 to 8.59%. The net profit and net profit attributable to owners of the parent company achieved double growth. The net profit for the year reached RMB14,345.44 million, representing a year-on-year increase of 9.80%, and the net profit attributable to owners of the parent company reached RMB8,525.66 million, representing a year-on-year increase of 9.89%.

During the Reporting Period, the medical device and retail pharmacy segments continued to maintain a relatively high growth trend, and the business structure was further diversified and balanced. As of the end of 2022, the percentage of the revenue from the pharmaceutical distribution segment decreased by 1.37 percentage points on a year-on-year basis to 71.25%, while the percentages of the revenue from the medical device and retail pharmacy segments increased by 1.04 percentage points and 0.37 percentage point on a year-on-year basis to 21.18% and 5.78%, respectively. Meanwhile, the Group's network coverage ability continued to be strengthened, its terminal layout has been improved and optimized, and the proportion of direct sales business to primary health services institutions and retail pharmacies increased steadily.

Since 2020, the Company actively practiced the sustainability concept and strengthened its business governance capabilities. The Group maintains a leading position among its peers in terms of the ESG ratings of MSCI and S&P. Our MSCI rating has been upgraded to Grade A for two consecutive years, and we have also been listed in the Central Enterprises ESG Governance • Vanguard 50 Index by the SASAC. The effectiveness of ESG governance has been recognized by professional institutions at home and abroad. With the Group's excellent experience and influence in strategic planning, network construction, supply chain management and innovation of pharmaceutical supply chain, the Group was awarded as "National Supply Chain Innovation and Application Model Enterprises", and is the sole model enterprise in the pharmaceutical circulation industry among 106 national model enterprises.

Pharmaceutical Distribution: constantly consolidated the leading advantages and steadily increased the market share

As of the end of 2022, the National Healthcare Security Administration had carried out seven batches of centralized VBP, with a total of 294 drugs included in centralized VBP. The bidding prices recorded an average decrease of more than 50%. Provinces (autonomous regions and municipalities) have also adopted the inter-provincial alliance mode or the individual provincial VBP mode to successively explore the VBP projects. Relevant policies continue to promote the mode transformation of pharmaceutical circulation services to national integration and scale.

During the Reporting Period, the revenue from the pharmaceutical distribution segment reached RMB406,603.53 million, representing a year-on-year increase of 4.27%. The Group 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. Our growth and revenue share in key regions such as Guangdong, Guangxi, Central China, Yangtze River Delta and North China have been further improved, and the regional competitive advantage has been continuously enhanced, which improved the Group's leading position in the pharmaceutical circulation market.

In addition, the Group accelerated to promote the innovation of supply chain model and service transformation to expand new growth points. The Group gradually improved a service ecology of "medical, medicine, patient, insurance" and "wholesale-retail integration" by deepening the cooperation with manufacturers. For innovative and original research products, we formulated personalized marketing promotion programs to create innovative drug marketing systems with our own characteristics. As of the end of the Reporting Period, we have signed strategic cooperation agreements with several well-known domestic and foreign enterprises, such as Novartis China, Santen Pharmaceutical, Pfizer and Boehringer. During the Reporting Period, the sales revenue of various agent varieties (including Novartis's four anti-tumor drugs) increased by more than 40% year on year, which continued to promote the growth of service revenue.

Facing the shift in demand, the Group accelerated the construction of a national integrated import network platform and created an efficient multi-port linkage import service mode to form a national integrated import network platform centered on Shanghai, supplemented by Beijing, Tianjin, Guangzhou and other cities, which actively expanded the Group's import and agency service capabilities and enriched the import category structure. During the pandemic period, Molnupiravir Capsule, an anti-Covid-19 oral drug, obtained the emergency conditional approval from the National Medical Products Administration of China in December 2022, and it took only about 5 hours to complete the emergency supply assurance from "import declaration" to "port delivery" and then to "goods warehousing", ensuring the timely and successful launch in China market, and subsidiaries across various regions also cooperated to achieve synchronous supply efficiently. The Group's supply chain service capability has been verified by the market and recognized by its partners, the leading edge of the supply chain service model is obvious.

Medical Device: consolidated the advantages of network coverage and accelerated the expansion of intergrated services

In 2022, the VBP of medical devices continued to "accelerate and expand". Following the implementation of coronary stents and artificial joints VBP, the medical consumables VBP for orthopedic spine was officially launched. At present, the state organizes the alliance procurement of high-value medical consumables, which has already become a routine situation. With the continuous innovation and improvement of the VBP rules, the bidding scheme is becoming more and more mature, and the price reduction of the winning products tends to be moderate.

Facing the impacts and challenges of the outbreak of pandemic in many places and the acceleration and expansion of the VBP, the Group fully utilized its advantages of "covering the whole country" logistics network, actively expanded derivative services while safeguarding pandemic prevention supplies, and further enhanced the market share. During the Reporting Period, the revenue from the medical device segment amounted to RMB120,851.48 million, representing a year-on-year increase of 11.77%. It has increased by more than 10% for three consecutive years. The demand for anti-pandemic supplies promoted the increase in the proportion of revenue from in-vitro diagnostic reagents and consumables. Benefiting from the growth in demand for first-aid equipment products, and the positive role of the special re-loan policy for equipment replacement and upgrading in promoting the sinking of high-quality medical resources, the replacement and upgrading of medical device and other fields, the sales growth rate and proportion of medical device business in the fourth quarter also improved.

Relying on its network coverage and service advantages, the Group 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. During the Reporting Period, the Group actively implemented the development strategy of "oriented to meet service needs", responded to the governance needs of hospitals to improve efficiency and reduce costs, and made efforts to enhance the expansion capacity of regional hospital consortium and medical community projects to promote the high-speed growth of the "one-stop" smart supply chain service project such as centralized distribution, in-hospital logistics management and smart logistics. During the year, the Group's SPD projects increased by 72, which helped the Group to gradually expand hospital trusteeship and service projects while achieving steady growth in project income. The SPD projects with the deep involvement of China National Pharmaceutical Group Southwest Shandong Medical Device Co., Ltd. (國藥集團山東魯西南醫療器械有限公司) and Sinopharm Holding Lingshang Hospital Management Services (Shanghai) Co., Ltd. (國藥控股菱商醫院管理服務(上海)有限公司) won the first prize in the national awards, respectively, which highlighted the leading advantages of the Group in SPD and supply chain services in the industry.

During the Reporting Period, our research and development project of device industry made a new breakthrough and the commercial arrangement has been advanced in an orderly manner. In order to follow the development trend of domestic substitution, Sinopharm Xinguang Medical Technology Co., Ltd. (國藥新光醫療科技有限公司), a high-end medical device R&D and manufacturing enterprise of the Group, focused on the research and development and upgrading of ultra-high definition endoscope system, 3D imaging system, artificial intelligence and minimally invasive surgical instruments, and has completed the research and development and design of 4K defogging endoscope system, 4K fluorescent endoscope system and digital surgical diagnosis and treatment interactive platform at present. It lays a solid foundation for the Group to establish its own brand in the field of device industry, steadily establish service capabilities covering the "entire life cycle" of products and build a manufacturing system with industrial synergy and independent control.

Retail Pharmacy: new growth opportunities brought by policies and the network coverage constantly replenished and expanded

In 2022, the pandemic outbreak had a great impact on the normal business development and sales categories of retail pharmacies. However, as the "Notice on Further Optimizing the Implementation of COVID-19 Pandemic Prevention and Control Measures (《關於進一步優化落實新冠肺炎疫情防控措施的通知》)", namely the "New Ten Rules", issued by the Joint Prevention and Control Mechanism of the State Council in Response to the Novel Coronavirus Pneumonia (國務院應對新型冠狀病毒肺炎疫情聯防聯控機制綜合組) in December 2022, the pandemic prevention and control policy was gradually optimized and adjusted, the consumers at stores and the sales of four categories drugs were greatly increased, the needs for anti-pandemic drugs and supplies significantly increased and the retail pharmacy business income achieved rapid growth in that month. Meanwhile, the orderly liberalization of qualification of pharmacy social pooling account connection promoted the process of prescription outflow, which brought incremental consumers and incremental markets to the retail pharmacy to promote the sustained and healthy development of the industry.

During the Reporting Period, the Group actively responded to the national strategy, undertook the new transformation and demand of separation of medical services and pharmaceutical sales, increased the allocation of resources, and made great efforts to promote the balanced development of professional pharmacies and traditional pharmacies. As at the end of 2022, the Group's revenue from retail pharmacy business reached RMB32,979.34 million, representing a year-on-year increase of 13.49%, continuously higher than the average growth of the industry. The proportion of business income from the retail pharmacy segment reached 5.78%, representing a year-on-year increase of 0.37 percentage point.

The Group 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. Through deep research on the market situation such as the development trend of retail industry and competitive landscape of local pharmacies in retail industries, the Group accurately sifted the blank regions, improved the network layout and continuously strengthened the governance assessment on regulatory indicators such as store breakeven and business operation efficiency. As of the end of the Reporting Period, there were 494 new stores in the retail pharmacy segment, among which the number of SPS+ professional pharmacies decreased by 21, and the number of Guoda Drug Stores increased by 515.

During the Reporting Period, the Group strengthened communication with regulatory agencies, continuously optimized category structure, and accelerated the acquisition of medical insurance co- ordination qualifications such as "dual channels" based on its sound brand reputation and well- established internal control system. As of the end of the Reporting Period, the total number of "dual- channel" qualified stores of the Group reached 883, representing an increase of approximately 120% compared with the end of 2021, including 309 Guoda Drug Stores and 574 professional pharmacies, with a net increase of 480 during the Reporting Period, covering about 90% of cities and regions in China that have opened the "dual-channel" business qualification.

Reform and Innovation: vigorously promoted service transformation and actively tapped growth potential

During the Reporting Period, the Group vigorously promoted the transformation of organizational operation model, tapped new driving forces and created new core competitive advantages. We reorganized and optimized the business management system involving retail pharmacy, medical device distribution and logistics services by optimizing and adjusting the governance system and organizational structure. Through the vertical management and transformation on business as well as the integration of business links and management processes, the Group optimized the integrated operation of provincial companies, improved the overall coordination ability for comprehensive services and formed cross-regional and cross-business collaborative advantages to promote the further transformation and upgrading of the Group's comprehensive supply chain service capabilities.

Meanwhile, taking Sinopharm Innovation Center as the carrier, the Group actively took customer demand as the guide and vigorously promoted supply chain model innovation and service transformation to expand new business growth points. During the Reporting Period, our business volume and revenue contribution from supply chain services, third-party logistics and innovative payment services continued to grow, and the ability to provide professional and specific innovative supply chain services has been gradually improved. Through empowering relevant stakeholders, the consistency and depth of cooperation between the Group and its business partners has been enhanced effectively.

Business Governance: the digital transformation has been advanced in an orderly manner and operational quality and efficiency was accelerated to improve

Based on previous years' initiation of digital transformation, the Group invited experts from well- known external enterprises and universities and established the Sinopharm Expert Decision Committee for Digital Transformation to accelerate the digital capacity building of the Group and provide professional technical support for business data governance, infrastructure construction and other fields. In addition, the Group also further promoted various digital transformation projects on schedule, accelerated the analysis and migration of business data, expanded the implementation and application of business scenarios, and gradually improved an integrated data processing system. Combining with the establishment progress of online, middle and back office business management system, we vigorously promoted and applied the developed application platform, improved the quality and processing capacity of business data, and optimized the management level and operational efficiency of the Group.

Relying on the digital capacity building, the Group accelerated the synergistic development of business and finance, enhanced the business statistics and assessment level of sub-segments, strengthened the supervision and assessment on expenses of different businesses, improved the overall funds arrangement ability, and constantly optimized various expense ratios and financial indicators. As of the end of the Reporting Period, the Group's overall expense ratio decreased by 0.02 percentage point year-on-year to 5.09%, among which, the selling and administration expansion ratio was 4.51%, representing a year- on-year increase of 0.06 percentage point. The annual finance expense ratio (excluding factoring) was 0.58%, representing a year-on-year decrease of 0.08 percentage point. As at the end of the Reporting Period, the receivables turnover days of the Group remained largely stable compared to the same period of last year, and the annual operating cash flow indicator further improved in the second half of the year. The net cash inflow from operations reached RMB20,963.78 million, up RMB11,655.69 million year-on-year, and the gearing ratio was 69.83%, down 0.46 percentage point compared with the same period of last year.

Practiced the anti-pandemic spirit and demonstrated the enterprise's responsibility

In 2022, facing the ever-recurring pandemic, the Group actively participated in pandemic prevention and control and fulfilled its special mission as a central medical supplies reserve company. Facing the pandemic outbreaks in many places, the subsidiaries at all levels effectively guaranteed the supply of various medical supplies and played an important role in fighting against the pandemic. In 2022, the Group distributed and guaranteed nearly 4 billion pieces of anti-pandemic supplies, effectively realizing the increase in sales revenue from relevant categories while practicing social responsibility.

In the face of the rare and severe test caused by the COVID-19 pandemic, the Group overcame many difficulties in the pandemic prevention and control work by virtue of its strong supply chain system covering the whole country and its ability to coordinate resources, and successfully completed various emergency support work, which was widely recognized and highly praised by the government departments at all levels, medical institutions and consumers, which not only demonstrated the Group's excellent risk resistance ability and operational security advantages, but also greatly enhanced the Company's brand image and industry position, laying a solid foundation for the Group to continuously carry out and deepen business cooperation.

Future Plans

In 2023, the deepening and expansion of medical insurance reform, especially the implementation of the VBP, national insurance negotiations and DRGs/DIP payment method and potential uncertainties of the pandemic, will still bring challenges to the sales revenue and profitability of pharmaceutical distribution and medical device. Facing the pressure and opportunity of industry transformation, the Group will continue to strengthen the strategic guidance of the Board and take sustainable high-quality development as its primary task. Based on the new starting point of the Company's 20th anniversary, the Group will increase market share, optimize service capacity, improve operational efficiency and strictly control business risks, accelerate to promote business transformation and upgrading, thereby facilitating the Group into a brand new development stage.

Continue to expand terminal network and consolidate the leading position of distribution

The pharmaceutical distribution business will continue to focus on key and core areas of pharmaceutical distribution, further increase the market share, expand the primary medical care, out-of-hospital market and non-medical insurance payment market, deepen terminal network coverage, and enhance professional service ability through the project for "increasing distribution channels". The Group will actively undertake VBP distribution projects, direct distribution projects of pharmaceutical manufacturing enterprises and primary medical service projects, enhance the sales share of hospitals at all levels, and supplement and improve the business layout of medical institutions at prefecture and county levels.

In addition, the Group will further enhance its governance capacity of the middle and back office business, establish a professional marketing platform, develop differentiated marketing systems for special medicines and generic medicines and foster new profit growth points. The Group will gradually improve the construction of a team in terms of in-depth distribution, professional promotion and market access. The Group will enhance comprehensive competitiveness and exert the coverage and service advantages of terminal networks to jointly promote the transformation and upgrading of service models.

Expand value-added service projects and strengthen the service extension capacity

The device distribution business will continue to adjust and optimize various measures in response to policies such as the VBP of consumables. In combination with the promotion of the current hospital consortium and medical community projects, the Group will vigorously expand green and smart supply chain services projects such as SPD and centralized distribution, strengthen the construction of professional service capabilities, and continuously expand value-added service projects to promote the increase in the market share.

Meanwhile, the Group will also explore new opportunities for business transformation, further extend the layout of device supply chain through independent exploration and external mergers and acquisitions and other ways, expand innovative businesses such as device manufacturing, intelligent management of medical assets and third-party supporting services, and accelerate to improve the service capability of supply chain covering the entire life cycle of medical device categories.

Continue to expand the network layout and improve the retail operation efficiency

The retail pharmacy business will continue to improve the pharmacy network layout and management and control system. Relying on the advantages of the wholesale and retail synergistic development and the medical insurance coordination policy such as "dual-channel", the Group will accelerate to undertake the prescription circulation needs through business such as "Sinopharm Post Station" and the out-of-hospital SPD pharmacy, continuously promote the improvement of the coordination capacity of retail services and supply chain and build a comprehensive national pharmaceutical retail platform based on the principle of patient-centered.

The Group will continuously improve its online and offline integrated service capabilities, gradually develop and upgrade various digital management tools and online business platforms, strengthen its supply chain management and operational governance capabilities, actively promote private domain traffic conversion of the business, and improve operational efficiency to boost profitability.

Accelerate the construction of innovative service capabilities and explore new potential for industry chain integration

The Group will further accelerate the construction of a comprehensive service platform, develop service capabilities in the three fields of medical, medicine and insurance, and gradually integrate service system with patients as the center to establish a new service ecology.

Meanwhile, the Group will continue to promote its business expansion, strengthen the construction of scientific research management system, accelerate the research and development and manufacturing of self-owned brand products, and explore the assessment and incentive mechanism suitable for the current business development to fully mobilize the entrepreneurial enthusiasm of core persons and officers of innovative business, accelerate the construction of research and development and manufacturing capabilities of related products with domestic substitution and key technical advantages and further explore the growth momentum of upstream and downstream business synergy.

In 2023, we will closely focus on the “Healthy China” initiative and firmly seized the economic recovery and development opportunities in the post-pandemic period, constantly give play to our brand reputation and leading advantages in the pharmaceutical industry, continuously strengthen its integration and cooperation with scientific research institutes, universities and technology-based enterprises, enhance its strategic cooperation with the world’s leading enterprises in the field of pharmaceutical and medical device, and guide and promote the transformation and innovation of the industrial chain and supply chain. While guaranteeing the steady growth of main business, the Group accelerates the transformation and upgrading to a comprehensive service provider in the drugs and medical device supply chain, optimizes the development quality and operating indicators, so as to continuously create investment value and improve returns for shareholders.

Financial Summary

The financial summary set out below is extracted from the audited financial statements of the Group for the Reporting Period which were prepared in accordance with the HKFRSs:

During the Reporting Period, the Group recorded a revenue of RMB552,147.55 million, representing an increase of RMB31,096.31 million or 5.97% as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded a profit of RMB14,345.44 million, representing an increase of RMB1,280.67 million or 9.80% as compared with the corresponding period of last year. Profit attributable to owners of the parent amounted to RMB8,525.66 million, representing an increase of RMB767.01 million or 9.89% as compared with the corresponding period of last year.

During the Reporting Period, basic earnings per share of the Company amounted to RMB2.73, representing an increase of 9.64% as compared with the corresponding period of last year.

Revenue

During the Reporting Period, the Group recorded a revenue of RMB552,147.55 million, representing an increase of 5.97% as compared with RMB521,051.24 million for the twelve months ended 31 December 2021, which was primarily due to the increase in revenue from the Group's pharmaceutical distribution business, retail pharmacy business and medical device business.

Pharmaceutical distribution segment: during the Reporting Period, the revenue from pharmaceutical distribution of the Group was RMB406,603.53 million, which accounted for 71.25% of the total revenue of the Group and represented an increase of 4.27% as compared with RMB389,954.79 million for the twelve months ended 31 December 2021. Such increase was mainly due to the increase in the distribution scale of retail pharmacies and the growth of the acquisition rate of the varieties involved in VBP.

Medical device segment: during the Reporting Period, the revenue from medical device of the Group was RMB120,851.48 million, which accounted for 21.18% of the total revenue of the Group and represented an increase of 11.77% as compared with RMB108,129.21 million for the twelve months ended 31 December 2021. The increase was primarily due to the expansion of agency territories, the addition of new agency products and the growth of winning customers.

Retail pharmacy segment: during the Reporting Period, the revenue from retail pharmacy of the Group was RMB32,979.34 million, which accounted for 5.78% of the total revenue of the Group and represented an increase of 13.49% as compared with RMB29,059.25 million for the twelve months ended 31 December 2021. The increase was primarily due to the growth in prescription drug sales and the expansion of the Group's network of retail pharmacies.

Other business segments: during the Reporting Period, the revenue from other business of the Group was RMB10,209.12 million, representing an increase of 3.95% as compared with RMB9,820.97 million for the twelve months ended 31 December 2021. The increase was primarily due to the growth in revenue from chemical reagents and pharmaceutical manufacturing business.

Cost of Sales

During the Reporting Period, the cost of sales of the Group was RMB504,713.49 million, representing an increase of 5.81% as compared with RMB477,000.63 million for the twelve months ended 31 December 2021. The increase was primarily due to the increase in the sales revenue of the Group.

Gross Profit

As a result of the above-mentioned factors, the gross profit of the Group during the Reporting Period was RMB47,434.06 million, representing an increase of 7.68% as compared with RMB44,050.61 million for the twelve months ended 31 December 2021. The gross profit margin of the Group for the twelve months ended 31 December 2021 and 2022 were 8.45% and 8.59%, respectively.

Other Income

During the Reporting Period, other income of the Group was RMB676.16 million, representing an increase of 14.76% as compared with RMB589.19 million for the twelve months ended 31 December 2021. The increase was primarily due to the increase in subsidies obtained by the Group from the central and local governments.

Selling and Distribution Expenses

During the Reporting Period, the selling and distribution expenses of the Group were RMB16,719.56 million, representing an increase of 8.30% as compared with RMB15,437.53 million for the twelve months ended 31 December 2021. The increase in selling and distribution expenses was primarily attributable to the purchase of promotion services from third parties, the enlarged operation scale of the Group, the business exploration and the expansion of distribution network coverage through new set-ups of companies.

Administrative Expenses

During the Reporting Period, the administrative expenses of the Group were RMB8,183.56 million, representing an increase of 5.44% as compared with RMB7,760.99 million for the twelve months ended 31 December 2021. The increase in administrative expenses was primarily attributable to the increase in administrative costs incurred by the expansion of network scale and business growth of the Group.

Operating Profit

As a result of the above-mentioned factors, the operating profit of the Group during the Reporting Period was RMB20,604.47 million, representing an increase of 4.53% from RMB19,711.98 million for the twelve months ended 31 December 2021.

Other Gains – Net

During the Reporting Period, the other net gains of the Group decreased to RMB122.20 million from RMB218.42 million for the twelve months ended 31 December 2021. The decrease was primarily due to the decrease in the gain on disposal of other non-current financial assets, fair value changes on financial assets and loss on disposal of subsidiaries by the Group.

Other Expenses

During the Reporting Period, the other expenses of the Group amounted to RMB39.92 million, representing a decrease of RMB554.31 million as compared with RMB594.23 million for the twelve months ended 31 December 2021, which was due to the decrease of the provision for impairment loss of intangible assets during the year.

Finance Costs – Net

During the Reporting Period, the finance costs of the Group was RMB3,189.99 million, representing a decrease of 6.26% as compared with RMB3,402.87 million for the twelve months ended 31 December 2021. The decrease was primarily due to the decrease in interest expense of borrowings and bonds and discount of bills receivable.

Share of Profits and Losses of Associates

During the Reporting Period, the Group's share of profits and losses of associates was RMB1,064.16 million, representing a decrease of 0.47% as compared with RMB1,069.17 million for the twelve months ended 31 December 2021.

Share of Profits and Losses of Joint Ventures

During the Reporting Period, the Group's share of profits and losses of joint ventures was RMB2.91 million, representing an increase of 318.99% as compared with RMB0.70 million for the twelve months ended 31 December 2021.

Income Tax Expenses

During the Reporting Period, the Group's income tax expenses were RMB4,218.38 million, representing an increase of RMB279.99 million as compared with RMB3,938.39 million for the twelve months ended 31 December 2021. The increase was primarily due to the increase in profits of the Group, which led to a corresponding increase in income tax expenses. The Group's actual income tax rate decreased to 22.72% during the Reporting Period from 23.16% for the twelve months ended 31 December 2021.

Profit for the Year

As a result of the above-mentioned factors, the profit of the Group for the year of 2022 was RMB14,345.44 million, representing an increase of 9.80% as compared with RMB13,064.77 million for the twelve months ended 31 December 2021. The profit margin of the Group for the twelve months ended 31 December 2022 and 2021 were 2.60% and 2.51%, respectively.

Profit Attributable to Owners of the Parent

During the Reporting Period, profit attributable to owners of the parent was RMB8,525.66 million, representing an increase of 9.89% or RMB767.01 million from RMB7,758.65 million for the twelve months ended 31 December 2021.

Profit Attributable to Non-controlling Interests

During the Reporting Period, profit attributable to non-controlling interests was RMB5,819.79 million, representing an increase of 9.68% or RMB513.66 million from RMB5,306.13 million for the twelve months ended 31 December 2021.

Liquidity and Capital Resources

Working capital

During the Reporting Period, the Group had commercial banking facilities of RMB274,967.78 million, of which approximately RMB142,732.70 million were not yet utilized. As at 31 December 2022, the Group had cash and cash equivalents of RMB55,221.62 million, which primarily comprise cash and bank savings.

Cash flow

The cash of the Group was primarily used for financing working capital, repaying credit interest and principal due, financing acquisitions and providing funds for capital expenditures, growth and expansion of the Group's facilities and operations. The table below sets out the cash flow of the Group from operating, investing and financing activities for the year ended 31 December 2022 and 2021, respectively:

	2022 **RMB million**	2021 RMB million
Net cash generated from operating activities	**20,963.78**	9,308.09
Net cash used in investing activities	**(3,589.62)**	(1,266.96)
Net cash used in financing activities	**(5,693.48)**	(14,693.01)
Increase/(decrease) in cash and cash equivalents	**11,680.68**	(6,651.88)
Cash and cash equivalents at the beginning of the year	**43,529.43**	50,178.27
Foreign exchange gain and loss	**11.51**	3.04
Cash and cash equivalents at the end of the year	**55,221.62**	43,529.43

Net cash generated from operating activities

The Group's cash inflow from operations primarily derives from collections from the sale of the products and services in its pharmaceutical distribution, retail pharmacy, medical device and other business segments. During the Reporting Period, the Group's net cash generated from operating activities amounted to RMB20,963.78 million, representing an increase of RMB11,655.69 million from RMB9,308.09 million for the twelve months ended 31 December 2021.

Net cash used in investing activities

During the Reporting Period, the net cash used in investment activities of the Group was RMB3,589.62 million, representing an increase of RMB2,322.66 million as compared with RMB1,266.96 million for the twelve months ended 31 December 2021.

Net cash used in financing activities

During the Reporting Period, the net cash used in financing activities of the Group was RMB5,693.48 million. The net cash used in financing activities of the Group for the twelve months ended 31 December 2021 was RMB14,693.01 million.

Capital Expenditure

The Group's capital expenditures were primarily utilized for the development and expansion of distribution channels, upgrading of its logistic delivery systems and the improvement of the level of informatization. The Group's capital expenditures amounted to RMB2,482.44 million and RMB2,807.27 million for the year ended 31 December 2022 and 2021, respectively.

The Group's current plans with respect to its capital expenditures may be modified according to the progress of its operation plans (including changes in market conditions, competition and other factors). As the Group continues to develop, it may incur additional capital expenditure. The Group's ability to obtain additional funding in future is subject to a variety of factors, including its future operational results, financial condition and cash flows, economic, political and other conditions in the mainland China and Hong Kong, and the PRC Government's policies relating to foreign currency borrowings, etc.

Capital Structure

Fiscal resources

During the Reporting Period, the Group made certain improvement and adjustments to its capital structure, so as to relieve fiscal risks and reduce finance costs. Through issuance of super short-term commercial papers, the Group obtained RMB16.00 billion for the purpose of replenishing working capital, facilitating the adjustment of the debt structure of the Group and reducing financing costs.

The Group's borrowings are mainly denominated in RMB.

As at 31 December 2022, the cash and cash equivalents of the Group were mainly denominated in RMB, with certain amount denominated in United States Dollars ("USD") and Hong Kong Dollars ("HKD"), and small amount denominated in Euro ("EUR"), Australian Dollars ("AUD"), Great Britain Pound ("GBP"), Swiss Franc ("CHF") and Japanese Yen ("JPY").

Indebtedness

As at 31 December 2022, the Group had aggregated banking facilities of RMB274,967.78 million, of which RMB142,732.70 million were not utilized and are available to be drawn down at any time. Such banking facilities are primarily short-term loans for working capital. Among the Group's total borrowings as at 31 December 2022, RMB52,997.25 million will be due within one year and RMB11,750.43 million will be due after one year. During the Reporting Period, the Group did not experience any difficulties in renewing its bank loans with its lenders.

Gearing ratio

As at 31 December 2022, the Group's gearing ratio was 69.83% (31 December 2021: 70.29%), which was calculated based on the net liabilities divided by the aggregate of its total equity and net liabilities as at 31 December 2022.

Foreign Exchange Risks

The Group's operations are mainly located in the PRC and most of its transactions are denominated and settled in RMB. However, the Group is exposed to foreign exchange risks to some extend on certain cash and cash equivalents, prepayments and other receivables, trade payables and accrued expenses and other payables denominated in foreign currencies, the majority of which are USD, HKD and EUR. During the Reporting Period, the Group has no corresponding hedging arrangements.

Pledge of Assets

As at 31 December 2022, part of the Group's borrowings and bills payable were secured by bank deposits of RMB12,038.00 million, right-of-use assets with book value of RMB7.14 million, investment properties with book value of RMB0.01 million, properties, plant and equipment with book value of RMB20.38 million and trade and bills receivables with book value of RMB2,366.86 million.

Major Acquisitions and Disposals

During the Reporting Period, the Group had no major acquisitions and disposals with respect to subsidiaries, associates and joint ventures.

Major Investment

During the Reporting Period, the Group did not make any major investment.

Going Concern

Based on the current financial forecast and financing facilities available, the Group has sufficient financial resources for ongoing operation in the foreseeable future. As such, the financial statements were prepared on a going concern basis.

Contingent Liabilities and Material Litigations

As at 31 December 2022, the Group neither had any material contingent liability, nor had any material litigation.

Human Resources

As at 31 December 2022, the Group had a total of 114,766 employees. In order to meet the development needs and support and promote the realization of its strategic objectives, the Group has integrated existing human resources, made innovations in management model and optimized management mechanism in accordance with the requirements of specialized operation and integrated management, so as to actively advance the organizational reform and accelerate the cultivation and recruitment of the talents. The Group has established a strict selection process for recruitment of employees and adopted a number of incentive mechanisms to enhance their efficiency. The Group also conducts periodic performance reviews on its employees and adjusts their salaries and bonuses accordingly. In addition, the Group has provided training programs to employees with different functions.

For remuneration and performance, the Group has established a normative salary management system based on the principle of "performance-oriented compensation, prioritizing efficiency and considering fairness". The Group implements top-down performance assessment to establish a compensation system with position and ability as basis and performance as the cornerstone. The employee remunerations include basic salary, performance remuneration, bonus and piece rate wage. Remuneration is adjusted based on factors such as the results of the corporation, work performance and capability as well as job responsibilities of employees.

The Group follows the performance-oriented principle while giving consideration to balance. The Group adopts a diversified structure and makes dynamic adjustments. For the value created, we distribute the incremental value. We share benefits and risks with our employees. Based on the principle of aligning with market benchmarks and international standards, the Group has adopted a combination of short-term and medium- and long-term incentives to determine Directors' remuneration incentive policies, and designed a compensation structure comprising "basic remuneration, performance-based remuneration, and medium- and long-term incentives". The basic annual salary is the basic fixed income; the performance-based annual salary is the immediate floating income based on the completion of the annual performance goals, which is paid after evaluation; the "medium-and long-term incentive" is the share incentive scheme, which is contingent on the excellent performance in the medium and long term, designed to bind interests and share benefits and risks with shareholders. Details of the employee benefit expenses of the Group during the Reporting Period are set out in Note 11 to the Consolidated Financial Statements.

Employee Diversity

The Group values and cultivates the diversity, and is committed to creating an equal, inclusive, healthy and comfortable working environment for all employees. We treats all employees equally, so that all employees can gain a sense of belonging and respect. Any form of discrimination regarding gender, ethnicity, race, religion and other aspects is prohibited. The Group's recruitment strategy is to hire the right staff for the right positions, regardless of gender. The Group welcomes all people to join, and promises to provide equal opportunities for employees in terms of recruitment, training and development, job promotion, salary and benefits, and protect employees' rights and interests from infringement. As at the end of the Reporting Period, the male to female ratio of all employees of the Group (including senior management) was approximately 4:6.

Restricted Share Incentive Scheme

The purpose of the restricted share incentive scheme (the "**Incentive Scheme**") adopted by the Company is to further optimise the corporate governance structure of the Company, to deepen the reform on the Company's remuneration system and to develop and constantly improve the interests balance mechanism among the Shareholders, the operational and executive management, to closely align the sharing of interests and benefits and the sharing of risks among the Shareholders, the Company and the employees in order to maximise the motivation and creativity of the senior management and key employee and to support the realisation of the Company's strategy and sustainable development. The incentive scheme took effect from 18 October 2016 with a term of 10 years.

The scope of scheme participants for the Scheme shall include Directors, senior management and mid-level management of the Company and other key technical and business staffs who, in the opinion of the Company, shall be awarded. The scheme participants shall exclude the Shareholders who hold more than 5% equity interest in the Company carrying voting rights on the grant date of restricted shares. A person shall not be considered as a scheme participant under the scheme if he/she: (a) dose not hold any position in the Group or CNPGC, or is neither an employee or a staff of the Group or CNPGC; (b) is an independent non-executive Director or the supervisor of the Company; (c) has been publicly censured or declared as an ineligible candidate by securities regulatory institutions in the last three years; (d) has been imposed with administrative penalties by securities regulatory institutions during the last three years due to material non-compliance of laws or regulations; (e) is prohibited from acting as a Director or a member of the senior management of a company as required by the PRC Company Law; or (f) is considered having other material violations of the policies of the Company by the Board. The scheme participants shall not concurrently participate in two or more share incentive schemes of listed companies.

The maximum total number of shares comprised in the restricted shares to be granted under the incentive scheme shall not exceed 10% of the total issued share capital of the Company (i.e. 276,709,500 shares) upon approval at the extraordinary general meeting. As at the date of this report, 270,139,500 restricted shares under the incentive scheme (representing 8.66% of the issued shares of the Company as at the date of this report) are available for grant. The total number of restricted shares granted or to be granted to any scheme participant shall not exceed 1% of the total issued share capital of the Company upon approval of the incentive scheme at the extraordinary general meeting.

The lock-up period shall be for a period of no less than two years in principal, commencing from the grant date, during which the restricted shares granted to the scheme participants under the Scheme shall not carry voting rights, shall be locked up and shall not be transferred, used as collateral or used for debt repayment. The unlocking period shall be no less than three years in principal, commencing from the expiry of the lock-up period, and a same amount of the restricted shares granted to scheme participants will be unlocked respectively in each year during the unlocking period when reaching the conditions for unlocking.

The exercise price of the restricted shares for purchase by a scheme participant under the scheme shall be no less than 50% of the grant reference price, and no less than the audited net assets value per share of the Company. The grant reference price of the restricted shares to be granted to the scheme participants shall be determined by the Board and shall be the higher of: (a) the closing price of the H shares on the Hong Kong Stock Exchange on the grant date; and (b) the average closing price of the H shares for the five trading days as quoted on the Hong Kong Stock Exchange immediately preceding the grant date. The scheme participants are not required to pay the consideration for qualification with respect to grant of restricted shares.

As at the beginning and the end of the Reporting Period, no restricted shares were granted but yet to be vested under the incentive scheme.

During the Reporting Period, no restricted shares were granted, vested, cancelled or lapsed under the incentive scheme.

Compliance with Laws and Regulations

The Group must comply with a number of laws and regulations, which mainly include the Company Law of the PRC, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Securities and Futures Ordinance (Cap. 571) etc., 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 year, the Directors of the Company are not aware of any non-compliance with the relevant laws and regulations which would have a material impact on the Group.

Relationship with Employees, Suppliers and Customers

The Group endeavours to maintain sustainable development in the long term, continuously create value for its employees and customers, and foster good relationships with its suppliers. The Group understands that employees are its valuable resource, and the realisation and enhancement of employees' values will facilitate the achievement of the Group's overall goals. For the year ended 31 December 2022, the Group adhered to the talent-oriented corporate culture and played an active role in cultivating first-class talents. It also attached great importance to the exploration, management and development planning of human resources, striving to create a harmonious working environment as well as a remuneration and benefit system with market competitiveness for its employees, so as to ensure the Group's advantages in terms of human resources for future development. The Group also understands the importance of maintaining good relationships with its suppliers and customers to the overall development of the Group. The Group places emphasis on supplier selection and encourages fair and open competition to foster long-term relationships with quality suppliers on the basis of mutual trust. To maintain the competitiveness of the Group's brand and products, the Group abides by the principles of honesty and trustworthiness and commits itself to consistently provide quality products to establish a reliable service environment for its customers. For the year ended 31 December 2022, there was no significant and material dispute between the Group and its suppliers and/or customers.

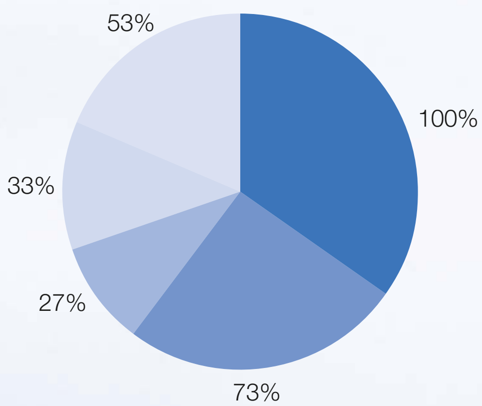
Corporate Governance Report

The Company is committed to upholding high standards of corporate governance which, it believes, is crucial to the development of the Company and protection of the interests of the Shareholders of the Company. The Company has adopted sound governance and disclosure practices, and will continuously improve these practices and create a highly ethical corporate culture.

Composition of the Board

As at the date of this report, the Board consisted of 15 directors, including two executive Directors, namely Mr. Yu Qingming and Mr. Liu Yong; eight non-executive Directors, namely Mr. Chen Qiyu, Mr. Hu Jianwei, Mr. Ma Ping, Mr. Deng Jindong, Mr. Wang Kan, Mr. Wen Deyong, Mr. Li Dongjiu and Ms. Feng Rongli; and five independent non-executive Directors, namely Mr. Zhuo Fumin, Mr. Chen Fangruo, Mr. Li Peiyu, Mr. Wu Tak Lung and Mr. Yu Weifeng. To the knowledge of the Company, there is no financial, business and family relationships or material/ relevant relationships among members of the Board, members of senior management and between Directors and senior management.

The Board of the Company have the skills, experience and diversity background related to the strategy, governance and business of the Company, each member of the Board have its own profession, and can make the Board of Directors give a play to effect and improve efficiency, the profession and experience structure of each member of the Board of Directors of the Company are as follows.



- Having experience in administrative leadership and strategy management/ the experience related to acting as directors or senior management in other listed companies
- Having professional knowledge related to the pharmaceutical and medical device industry/ experience in industry management
- Having Professional knowledge in finance/having experience in financial management
- Major in legal/having experience in compliance management
- Having professional knowledge and experience related to capital market

Note: The percentages shown in the above chart refer to the ratio of Directors with relevant expertise and experiences to all Directors.

Biographical details of the Directors are set out in the section headed "Biographies of Directors, Supervisors and Senior Management" of this annual report.

Major Responsibilities of the Board

The Board is the core of the Company's corporate governance structure and it plays several roles of interest representative, resource controller and interest coordinator. The main functions of the Board are strategic decision making, guidance on operation management and inspection and supervision. The responsibilities of the Board include implementing the resolutions of general meetings, deciding on the operation plans and investment proposals of the Company, formulating the proposed annual budgets and final accounts of the Company, assessing the performance of the Company and overseeing the work of senior management, formulating and reviewing the corporate governance policies and practices of the Company.

The Board shall represent the long-term interest of the Company and the interest of Shareholders and related party when making scientific and strategic decisions, be effectively supervised and evaluated when controlling corporate resources and conducting operation management and maintain effective stimulation and supervision over the senior management when duly delegating its power to the senior management. The Board is the core of the Company's corporate governance structure and its role is clearly separated from that of senior management. Being different from the function and duties of the Board, the senior management of the Company are mainly in charge of the Company's production, operation and management; organizing the implementation of the Company's annual business plan and investment proposal; drafting plans for the establishment of the Company's internal management structure; drafting plans for the establishment of the Company's branch offices; drafting the Company's basic internal management system and formulating basic rules and regulations of the Company; within the authority delegated by the Board, appointing, changing or recommending shareholder representatives, directors and supervisors in its holding subsidiaries or joint stock subsidiaries; deciding on the establishment of the Company's branches; and other powers delegated by the Board.

The Company has separated the roles of Chairman and President. The Chairman is responsible for managing the Board, steering the Board to formulate overall strategies and business development plans, ensuring the receipt of sufficient, complete and reliable information by each Director and the receipt of reasonable explanations for all the issues raised in the Board meetings. The President is responsible for managing the business of the Company and implementing policies, business objectives and plans formulated by the Board, and is accountable to the Board for the Company's overall operation.

During the Reporting Period, the duties of the Chairman and President of the Company have been performed by different individuals. Mr. Yu Qingming served as the Chairman of the Company and Mr. Liu Yong served as the President of the Company.

The Board has established an audit committee, a remuneration committee, a nomination committee, a strategy and investment committee and a legal and compliance and environmental, social and governance committee. The composition and responsibilities of each special committee are set out below. Each committee reports its recommendations to the Board in accordance with its respective duties and responsibilities, except where the duties of each committee are clearly defined, it's recommendations are ultimately determined by the Board.

During the Reporting Period, the Board made great efforts in improving the corporate governance system of the Company and enhancing the corporate governance standards, including amending relevant internal management rules in accordance with the requirements of relevant laws, regulations and regulatory rules as amended from time to time, as well as the practice of the Company; monitoring and organizing the Directors and company secretary to participate in relevant training courses; regularly reviewing the Company's compliance with the domestic and overseas regulatory requirements and its implementation of various internal corporate governance rules and policies, and reviewing the Company's compliance with the Corporate Governance Code and the disclosures in the Corporate Governance Report.

The Company recognises that the Board's access to independent opinions is critical to good corporate governance and the effectiveness of the Board. The Board has established following mechanisms to ensure the Board can obtain independent opinions when necessary for enhancing an objective and effective decision making. The Board also reviews the implementation and effectiveness of the following mechanisms annually:

1. Among the 15 Directors of the Board, there are five independent non-executive Directors, which fulfilled the requirement which there shall be at least three independent non-executive Directors in the Board and the number of independent non-executive Directors shall be at least one-third of the Board under the Listing Rules;

2. Independent non-executive Directors are required to be assessed in terms of independence, qualification and ability at the time of appointment and continue to be assessed on the aforementioned matters upon appointment;

3. The Board listens to the work report of independent non-executive Directors every year, and evaluates the time that independent non-executive Directors have devoted to the affairs of the Company and the situation of expressing independent opinions during the year. The attendance record of Directors in 2022 is set out in the "Corporate Governance Report" of this annual report;

4. the Directors can seek independent professional advice at the Company's expense, if necessary;

5. Directors (including independent non-executive Directors) with a material interest in contracts, arrangements or other proposals shall not vote on any Board resolution approving such matters or be counted in the quorum;

6. The chairman meets with independent non-executive Directors every year without the presence of executive Directors and non-executive Directors.

Changes of Directors and Supervisors

(1) On 10 June 2022, Mr. Deng Jindong tendered his resignation as a member of the audit committee and a member of the remuneration committee of the fifth session of the Board of the Company due to work arrangement.

(2) On 17 June 2022, Mr. Liu Hongbing was elected as an employee representative supervisor at the meeting of the employee representatives of the Company and Mr. Zhang Hongyu tendered his resignation as an employee representative supervisor due to attainment of the statutory retirement age, which took effect from 17 June 2022.

(3) On 23 December 2022, Mr. Wang Kan was appointed as a non-executive Director of the Company at the general meeting of the Company.

(4) On 23 December 2022, Mr. Wang Peng was appointed as a Supervisor of the Company at the general meeting of the Company.

Please refer to the section headed "Biographies of Directors, Supervisors and Senior Management" for details about the latest biographies of the Director and Supervisors of the Company, which includes the latest information of the Directors and Supervisors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Board Meetings and General Meetings

The Board convened seventeen Board meetings, ten of which were by voting through electronic means of communications, and five general meetings (namely the annual general meeting, the H shareholders' class meeting, the domestic shareholders' class meeting and two extraordinary general meetings) during the Reporting Period. All Directors actively participated in the affairs of the Company.

During the Reporting Period, the attendance record of each Director at the Board meetings and general meetings is as follows:

Directors	Board meetings Attendance/No. of meetings held during the term of office	General meetings Attendance/No. of meetings held during the term of office
Executive Directors		
Mr. Yu Qingming	17/17	5/5
Mr. Liu Yong	17/17	3/5
Non-executive Directors		
Mr. Chen Qiyu	17/17	5/5
Mr. Ma Ping	16/17	4/5
Mr. Hu Jianwei	17/17	4/5
Mr. Deng Jindong	16/17	4/5
Mr. Wang Kan	1/1	0/0
Mr. Wen Deyong	17/17	5/5
Mr. Li Dongjiu	17/17	5/5
Ms. Feng Rongli	17/17	5/5
Independent Non-executive Directors		
Mr. Zhuo Fumin	17/17	5/5
Mr. Chen Fangruo	16/17	5/5
Mr. Li Peiyu	17/17	5/5
Mr. Wu Tak Lung	17/17	5/5
Mr. Yu Weifeng	16/17	5/5

Note: The Directors of the Board who did not attend the meeting in person have all entrusted proxies to attend the meeting, which was not counted into their attendance record.

At Board meetings, the Company's senior management reported the information of business activities and data of operation and development of the Company to all Directors on a timely basis. If any Director has conflict of interests in any proposed resolution to be considered at the Board meeting, such Director shall abstain from voting on such resolution. The Company continued to implement the mechanism that the chairman meets with independent non-executive directors on a regular basis for their opinions on the Company's business development and operations.

Training for Directors

The management of the Company has provided members of the Board with appropriate and sufficient information including the financial briefings so as to update them with the latest operations and developments of the Company and facilitate their discharge of duties. The Company regularly sends the Monthly Legal Insight on Hong Kong Capital Market provided by overseas compliance lawyers to all Directors. Meanwhile, all Directors have participated in continuing professional development by attending training or reading relevant materials to broaden their knowledge base and sharpen their skills.

The training record of Directors during the Reporting Period is as follows:

Directors	Special training (Notes)
Executive Directors	
Mr. Yu Qingming	A, B, C
Mr. Liu Yong	A, B, C
Non-executive Directors	
Mr. Chen Qiyu	A, B, C
Mr. Ma Ping	A, B, C
Mr. Hu Jianwei	A, B, C
Mr. Deng Jindong	A, B, C
Mr. Wang Kan	C
Mr. Wen Deyong	A, B, C
Mr. Li Dongjiu	A, B, C
Ms. Feng Rongli	A, B, C
Independent Non-executive Directors	
Mr. Zhuo Fumin	A, B, C
Mr. Chen Fangruo	A, B, C
Mr. Li Peiyu	A, B, C
Mr. Wu Tak Lung	A, B, C
Mr. Yu Weifeng	A, B, C

Notes:

A. On 18 March 2022, directors during their term of office attended a training provided by DLA Piper, the overseas legal adviser, in relation to Compliance Highlights on Internal Control of Listing Companies in Hong Kong.

B. On 18 March 2022, directors during their term of office completed the study of the "Materials Relating to the Promotion of Strict Party Management and Integrity and Compliance Operations of Sinopharm Group" prepared by the Company's Disciplinary Committee.

C. During the Reporting Period, all directors reviewed the Monthly Legal Insight on Hong Kong Capital Market during the Reporting Period.

In addition, the company secretary Mr. Wu Yijian completed the professional training for no less than 15 hours, including the training on the professional ECPD seminar provided by The Hong Kong Chartered Governance Institute during the Reporting Period.

Audit Committee

As at the date of this report, the audit committee of the Company (the "**Audit Committee**") comprised four Directors, including three independent non-executive Directors, namely Mr. Wu Tak Lung, Mr. Zhuo Fumin, Mr. Li Peiyu and one non-executive Director, namely Mr. Li Dongjiu, with Mr. Wu Tak Lung serving as the chairman of the Audit Committee. The primary responsibilities of the Audit Committee are to inspect, review and supervise the Company's financial information and reporting process for financial information. These responsibilities include, among others:

- making recommendations to the Board on the appointment, re-appointment and removal of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- formulating and implementing policies on the engagement of an external auditor to supply non-audit services;
- monitoring integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in the statements and reports; and
- reviewing the financial monitoring, risk management and internal control systems of the Company.

During the Reporting Period, five meetings were held by the Audit Committee. The attendance record of the committee members at the meeting during the Reporting Period is as follows:

Directors	Attendance/No. of meetings held during the term of office
Mr. Wu Tak Lung	5/5
Mr. Deng Jindong (resigned)	3/3
Mr. Li Dongjiu	5/5
Mr. Zhuo Fumin	5/5
Mr. Li Peiyu	5/5

During the Reporting Period, the Audit Committee reviewed the Group's 2021 annual results, 2022 interim results, 2022 first quarterly results and 2022 third quarterly results, and received the auditor's report on the annual audit results. The Audit Committee also reviewed the resolutions on the continuing connected transactions of the Group, goodwill impairment and long-term assets impairment provision of subsidiaries of the Group, audit fees for 2021, appointment of auditors for 2022, internal control self-assessment report for 2021, report on the quality assessment on internal audit work report for 2021, internal control system work report for 2021 and report on the arrangement for internal control system construction for 2022, and the internal audit work plan for 2022.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2022 and believes that the Company has complied with all applicable accounting standards and regulations and made sufficient disclosures. The audit committee has reviewed all material internal control rules, including the financial and operational and compliance controls, as well as risk management in 2022. In addition, the audit committee has also accepted the adequacy of resources, qualification and experiences of employees in relation to the accounting, internal audit and financial reporting function of the Company and the Company's environmental, social and governance performance and reporting, the adequacy of training courses taken by the employees and the relevant budgets. The Audit Committee has also reviewed the 2022 annual results announcement and the 2022 annual report of the Company.

Nomination Committee

As at the date of this report, the nomination committee of the Company (the "**Nomination Committee**") comprised seven Directors, including four independent non-executive Directors, namely Mr. Zhuo Fumin, Mr. Chen Fangruo, Mr. Wu Tak Lung, Mr. Yu Weifeng; two non-executive Directors , namely Mr. Hu Jianwei, Ms. Feng Rongli; and one executive Director Mr. Yu Qingming with Mr. Yu Qingming as the chairman of the Nomination Committee. The primary responsibilities of the Nomination Committee are to formulate the nomination procedures and standards for candidates for Directors. These responsibilities mainly include, among others:

- reviewing the structure, size and composition of the Board on a regular basis and making recommendations to the Board regarding any proposed changes;
- identifing qualified individuals to become Director candidates and select and nominate such person as Director and make recommendations to the Board;
- assessing the independence of independent non-executive Directors;
- making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors, and the succession plans for Directors (in particular the Chairman and the President); and
- formulating, implementing and reviewing from time to time the policy concerning diversity of Board members.

The nomination procedures of the Directors are as follows: the Nomination Committee shall firstly propose and consider a list of candidates for Directors, which shall then be submitted by the committee to the Board for review; the Board shall then submit the relevant proposal to the general meeting for Shareholders' approval.

The examination procedures of the candidates for Directors are: (1) to collect, or require relevant department of the Company to collect the particulars of the occupation, education, designation, detailed work experience and part-time jobs of the candidates and summarize the same in written materials; (2) to hold nomination committee meetings to examine the qualifications of the candidates in accordance with the requirements applicable to a Director and to state the opinion and recommendations on appointments in the form of proposals; and (3) to carry out other relevant work arrangement according to decisions of or feedback from the Board.

To ensure the diversity level of members of the Board and improve the governance effect of the Company, the Company establishes and revises, as appropriate, the diversity policy of the Board. The policy sets out the policies adopted by the Company to achieve the diversity of members of the Board and thus to improve the decision-making quality and efficiency of the Board. To achieve the diversity target of the Board, when forming the Board, the Company will set measurable diversity target for members of the Board on the basis of a series of diversity categories and taking into account of business modes and specific demand of the Company, in addition to meeting relevant provisions of laws, regulations and rules (including but not limited to the Company Law of the People's Republic of China, Listing Rules and Articles of Association). The Company will consider a series of diversity perspectives, including but not limited to gender, age, professional qualification, industrial experience, culture and education background, races and other factors deemed as applicable by the Board. The Company is committed to implementing the Board diversity policy and achieving its measurable targets. The Board will employ talents and gradually improve the percentage of female members and optimize the age structure when identifying and electing the candidates of the Directors. The Board will consider the expectation of stakeholders and refer to requirements or suggestions of relevant laws and regulations, in order to properly balance the composition of male and female members of the Board. Currently, the Company shall appoint at least one female director. Ms. Feng Rongli currently serves as a non-executive Director of the Company. In addition, the Company will strive to increase the proportion of female Directors from the current 6.7% to no less than 13% before or upon the expiry of the term of office of the fifth session of the Board and the re-election of directors for a new session of the Board. The Board will also seek for a proper percentage of members of the Directors with direct experience of the industrial market of the Group and different profession backgrounds, reflecting the strategy of the Group. The Company will identify candidates of the Directors according to the nomination policy of the Company and make the final decision based on the merits and contribution that the candidate will bring to the Board. The Nomination Committee of the Board will regularly review the diversity policy of the Board to ensure that it's effective. When supervising the execution of the diversity policy of the Board and reviewing the composition of members of the Board, the Board will consider all benefits related to diversity levels, and comply with the diversity policy of the Board when proposing appointment of the Directors. The Company will also try its best to achieve gender diversity when recruiting employees at all levels (including middle and senior levels), so as to provide suitable succeeding directors for the Board when appropriate, so as to ensure the gender diversity of the board of directors. The Company will provide each new Director with specially customized and comprehensive pre-job training, to ensure that such Director has a sound understanding of the operation, policy and role and responsibility of Directors with his or her relevant knowledge gap filled up. The Company will also provide Directors with relevant training from time to time in order to facilitate the Directors' performance of their duties.

For details of the diversity of employees of the Group, please refer to the section headed "Employee Diversity" of "Management Discussion and Analysis" in this report.

During the Reporting Period, one meeting was held by the Nomination Committee. The attendance record of the committee members at the meeting during the Reporting Period is as follows:

Directors	**Attendance/No. of meetings held during the term of office**
Mr. Yu Qingming	1/1
Mr. Hu Jianwei	1/1
Ms. Feng Rongli	1/1
Mr. Zhuo Fumin	1/1
Mr. Chen Fangruo	1/1
Mr. Wu Tak Lung	1/1
Mr. Yu Weifeng	1/1

During the Reporting Period, the Nomination Committee mainly reviewed the resolution on nominating Mr. Wang Kan as a non-executive Director of the fifth session of the Board of the Company. The Nomination Committee carefully discussed the work experience and professional qualifications of Director candidate and the benefits he may bring to the Board while fully considering factors under the board diversity policy, and recommended the candidate to the Board after arriving at opinions at the Nomination Committee's meeting.

Remuneration Committee

As at the date of this report, the remuneration committee of the Company (the "**Remuneration Committee**") comprised four Directors, including three independent non-executive Directors, namely Mr. Li Peiyu, Mr. Wu Tak Lung and Mr. Yu Weifeng, and one non-executive Director Ms. Feng Rongli, with Mr. Li Peiyu serving as the chairman of the Remuneration Committee. The primary responsibilities of the Remuneration Committee are to formulate and review the remuneration policies and schemes for the Directors and senior management of the Company. These responsibilities mainly include, among others:

- making recommendations to the Board on the Company's overall remuneration policies and structure for Directors and senior management of the Company;
- determining the specific remuneration packages of all executive Directors and senior management, and making recommendations to the Board in relation to the remuneration of non-executive Directors; and
- reviewing and approving performance-based remuneration suggestion for the management by reference to corporate goals and objectives determined by the Board from time to time.

During the Reporting Period, three meetings were held by the Remuneration Committee. The attendance record of the committee members at the meeting during the Reporting Period is as follows:

Directors	**Attendance/No. of meetings held during the term of office**
Mr. Li Peiyu	3/3
Mr. Wu Tak Lung	3/3
Mr. Yu Weifeng	2/3
Mr. Deng Jindong (resigned)	0/1
Ms. Feng Rongli	3/3

Note: The members of the Remuneration Committee who did not attend the meeting in person have entrusted proxies to attend the meeting, which was not counted into their attendance record.

During the Reporting Period, the Remuneration Committee mainly reviewed the following resolutions: Resolution on Amendments to Certain Provisions of the Measures for Contracted Performance Management of the Management of Sinopharm Group Co., Ltd., the Resolution of Payment of Total Wage for 2021 and Budget Plan for 2022 of the Company, Resolution on the Assessment Results and Annual Salary Settlement for the Management Team of the Company for the Year 2021, Resolution on the Excess Reward of the Management Team of the Company for the Year 2021, and Resolution on the Annual Salary Standard of the Management Team of the Company for the Year 2022 and the Resolution on the Assessment Scheme of the Management Team of the Company for the Year 2022.

Strategy and Investment Committee

As at the date of this report, the strategy and investment committee of the Company (the "**Strategy and Investment Committee**") comprised ten Directors, including two executive Directors, namely Mr. Yu Qingming and Mr. Liu Yong, six non-executive Directors, namely Mr. Chen Qiyu, Mr. Hu Jianwei, Mr. Ma Ping, Mr. Deng Jindong, Mr. Wen Deyong and Mr. Li Dongjiu; and two independent non-executive Directors, namely Mr. Chen Fangruo and Mr. Li Peiyu, with Mr. Yu Qingming serving as the chairman of the Strategy and Investment Committee.

The Strategy and Investment Committee is a special operating organization under and accountable to the Board. It is mainly responsible for conducting research and making recommendations on the long-term development strategies and major investment decisions of the Company, and reviewing and examining the annual operation plans and the implementation of the significant investment proposals under the authorization of the Board. These responsibilities mainly include, among others:

- evaluating the Company's long-term development strategy in a timely manner, and organizing the formulation of the Company's development strategy and medium and long-term development plan;
- reviewing the Company's annual business plan;
- conducting research and making recommendations on major investment, financing and guarantee proposals which are subject to the approval by the Board:
- conducting research and making recommendations on major capital operation and asset management projects which are subject to the approval by the Board; and
- studying and formulating plans for corporate restructuring and transfer of equity held by the Company, restructuring, mergers and acquisitions, and organizational structure adjustments.

During the Reporting Period, seven meetings were held by the Strategy and Investment Committee. The attendance record of the committee members at the meeting during the Reporting Period is as follows:

Directors	Attendance/No. of meetings held during the term of office
Mr. Yu Qingming	7/7
Mr. Chen Qiyu	7/7
Mr. Hu Jianwei	7/7
Mr. Ma Ping	5/7
Mr. Deng Jindong	5/7
Mr. Liu Yong	7/7
Mr. Wen Deyong	7/7
Mr. Li Dongjiu	7/7
Mr. Chen Fangruo	6/7
Mr. Li Peiyu	7/7

Note: The members of the Strategy and Investment Committee who did not attend the meeting in person have all entrusted proxies to attend the meeting, which was not counted into their attendance record.

During the Reporting Period, the Strategy and Investment Committee mainly heard the report on the strategy plan of the Company's relevant business segments and various equity investment projects.

Legal and Compliance and Environmental, Social and Governance Committee

As at the date of this report, the legal and compliance and environmental, social and governance Committee of the Company ("**Legal and Compliance and ESG Committee**") comprised three Directors, including one independent non-executive Director, namely Mr. Yu Weifeng and two executive Directors, namely Mr. Yu Qingming and Mr. Liu Yong, with Mr. Yu Weifeng as the chairman of the Legal and Compliance and ESG Committee.

The Legal and Compliance and ESG Committee is a special operating organization under and accountable to the Board. It is mainly responsible for promoting the rule of law of the Company and guiding the Company's compliance management works and is responsible for promoting and guiding the Company's environmental, social and governance works.

During the Reporting Period, three meetings were held by the Legal and Compliance and ESG Committee. The attendance record of the committee members at the meeting during the Reporting Period is as follows:

Directors	Attendance/No. of meetings held during the term of office
Mr. Yu Weifeng	3/3
Mr. Yu Qingming	3/3
Mr. Liu Yong	3/3

During the Reporting Period, the Legal and Compliance and ESG Committee mainly reviewed the following resolutions: the Resolution on Compliance Management Report of the Company, the Resolution on Amendment to the Rules of Procedures for the Legal and Compliance and ESG Committee of the Company and Introduction about Preparation Progress of Sustainability Report, the Resolution on Establishment of Environmental, Social and Governance Working Group of the Company, the Resolution on Report of Preparation and Publication of the Company's ESG Report for 2021 and the Report on Summary of ESG Work of the Company for 2022 and ESG Work Plan for 2023.

Term of Office of Non-executive Directors

Name	Position	Commencement Date	Expiry Date
Chen Qiyu	Non-executive Director	18 September 2020	17 September 2023
Hu Jianwei	Non-executive Director	18 September 2020	17 September 2023
Ma Ping	Non-executive Director	18 September 2020	17 September 2023
Deng Jindong	Non-executive Director	18 September 2020	17 September 2023
Wang Kan	Non-executive Director	23 December 2022	17 September 2023
Wen Deyong	Non-executive Director	18 September 2020	17 September 2023
Li Dongjiu	Non-executive Director	10 June 2021	17 September 2023
Feng Rongli	Non-executive Director	18 September 2020	17 September 2023
Zhuo Fumin	Independent Non-executive Director	18 September 2020	17 September 2023
Chen Fangruo	Independent Non-executive Director	18 September 2020	17 September 2023
Li Peiyu	Independent Non-executive Director	18 September 2020	17 September 2023
Wu Tak Lung	Independent Non-executive Director	18 September 2020	17 September 2023
Yu Weifeng	Independent Non-executive Director	18 September 2020	17 September 2023

Compliance with the Corporate Governance Code

The Company has adopted all the code provisions contained in the Corporate Governance Code as the Company's code on corporate governance. During the Reporting Period, the Company had complied with the code provisions set out in the Corporate Governance Code.

Securities Transactions by Directors and Supervisors

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the standards for governing the transactions of the Company's listed securities by the Directors and the Supervisors. Having made specific enquiries with all Directors and Supervisors, all of them confirmed that they had complied with the requirements set out in the Model Code during the Reporting Period.

Remuneration of Auditors

The Company's domestic auditors, Ernst & Young Hua Ming LLP and overseas auditors, Ernst & Young has served as the independent external auditors of the Group since the date of 2016 AGM. The remuneration paid and payable by the Group to Ernst & Young Hua Ming LLP and Ernst & Young in respect of the services provided during the Reporting Period is as follows:

Services provided	Fee paid and payable
Statutory audit service provided for 2022	RMB48,846,000
Non-statutory audit service provided for 2022	RMB2,322,000
Non-audit service – tax consultancy services	RMB0

Confirmation by the Directors and Auditors

The Directors have reviewed the effectiveness of the internal control system of the Group. The review covered all the material aspects of its internal controls, including the supervision of the financial and operational and compliance affairs, as well as risk management.

The Directors are responsible for supervising the preparation of annual accounts in order to give a true and fair view of the financial position, operating results and cash flow of the Company during the year. For the purpose of the preparation of the financial statements for the Reporting Period, the Directors have selected appropriate accounting policies, adopted applicable accounting principles, made judgments and assessments that are prudent and reasonable and ensured the financial statements were prepared on a going concern basis. The Directors have confirmed that the Group's financial statements were prepared in accordance with the requirements of laws and applicable accounting principles.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast doubt upon the ability of the Company to operate as a going concern. The statement of auditors about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report" of this report.

Shareholders' Rights

Two or more Shareholders representing a total of over 10% (inclusive) shares carrying the right to vote at the meeting to be convened may sign one or more written requests of the same format and contents, and submitted to the Board for the convening of an extraordinary general meeting or a class meeting. The Board shall furnish a written reply stating its agreement or disagreement to convene the extraordinary general meeting or a class meeting within ten days upon receipt of such requisition.

When the Company convenes a general meeting, Shareholders who individually or jointly hold three percent (3%) or more of the shares of the Company shall be entitled to propose provisional motions and submit the same in writing to the Board ten (10) days prior to the date of the general meeting, the details of which please refer to Article 58 of the Articles of Association of the Company.

The Shareholders may put proposals or enquiries to the Board via the office phone number and email address of the Board office as stated in this annual report.

Effective Communication with Investors

As at the date of this report, the Board of the the Company has reviewed the implementation and effectiveness of the shareholders' communication policy and considered that the shareholders' communication policy enabled the Company and shareholders to keep effective communication. The Company maintains communication with its shareholders through various channels and means and carries on the conversations about the Company's conditions and development prospects, so as to enhance mutual understanding between shareholders and the Company, improving the Company's standard of governance. The Board of the Company also maintains normalized and multi-channel communication with its shareholders through investor relations activities such as general meetings, results presentation, media reception and roadshows.

In 2022, the work of investor relations of the Group and communication with shareholders was conducted in an orderly manner under the guidance and support of the Board of Directors and operational management. In response to regulatory requirements for pandemic prevention and control, the Group actively used various online communication means, regularly convened results annoucement conferences, and fully fulfilled its information disclosure obligations, communicating effectively with domestic and overseas shareholders and investment institutions. In addition, the Group also hosted and participated in numerous investor exchanges and company presentation roadshows to further strengthen the communication and disclosure about the Company's business positioning and development strategies, and enable investors to constantly enhance their understanding about the business operation and competition landscape of the Group. In 2023, the Group will continue to arrange investor communication and discussion, company road shows as well as general meeting, etc., to keep close communication with Shareholders and investors of the Company, perform the information disclosure obligation according to laws and regulations to ensure the interests of the investors.

Implementation of Non-Competition Agreement

The independent non-executive Directors have reviewed the compliance by CNPGC of the Non-Competition Agreement and confirmed that CNPGC has complied with the terms of such agreement during the year ended 31 December 2022. CNPGC also confirmed to the Company that it has complied with the terms of the Non-Competition Agreement.

The independent non-executive Directors were not aware of any breach of the terms of the Non-Competition Agreement by CNPGC and therefore, no remedy action was taken by the Company during the year ended 31 December 2022.

In accordance with the Non-Competition Agreement entered into between the Company and CNPGC, if CNPGC or any of its subsidiaries (other than the Company) is aware of any business opportunity to own, invest in, participate in, develop, operate or engage in any business or company which directly or indirectly competes with the core business of the Company (the "**Business Opportunity**"), it will inform the Company of the aforesaid Business Opportunity in writing immediately in the first place. Whether to take up the Business Opportunity is up to the independent non-executive Directors.

During the Reporting Period, the independent non-executive Directors of the Company did not make any decisions in relation to the exercise or termination of the option or the right of first refusal or take up or waive such Business Opportunity.

Risk Management and Internal Control

The Board has established a risk management and internal control system in accordance with the requirements of paragraph D.2 of the Corporate Governance Code of Appendix 14 of the Listing Rules and continues to monitor and review the effectiveness of its operation. The system is designed to manage rather than eliminate the risk of failure to meet business objectives, to promote effective and efficient operations, to provide reasonable (not absolute) assurance against material misstatement or loss and comply with applicable laws and regulations, as well as to safeguard the assets of the Group.

Characteristics of the Risk Management and Internal Control Organisation System

In accordance with the requirements of code provision D.2.2 of the Corporate Governance Code of Appendix 14 of the Listing Rules, the Group has established a sound risk management and internal control organization system which includes the Board, its Audit Committee, management of the Company, the risk and operation management department, legal compliance department, audit center, discipline inspection committee and other departments to ensure that the Group has sufficient resources, qualified and experienced staffs, training courses and related budget for risk management and internal audit. The Company's subsidiaries and business units at all levels serve as the frontline in risk management and internal control; and the Audit Committee under the Board, the management, the risk and operation management department, the legal compliance department and the related functions are the higher level supervisors for risk management and internal control; while the highest level of supervision is carried out by the audit center and the discipline inspection committee, with the audit center and the discipline inspection committee serving as an independent supervision department that conducts internal audit for the Group's risk management system. As the highest decision maker for the Group's risk management and internal control, the Board assumes the full responsibility for the establishment of a sound risk management and internal control system as well as the effectiveness of the risk management work carried out across the Group.

Implementation of Risk Management and Internal Control

Through reviewing the works conducted by the audit center, discipline inspection committee and external consultants such as the auditors and reviewing reports prepared by the management in respect of risk management, regulatory compliance, legal and other matters, the Group reviews the effectiveness of the risk management and internal control systems every year and assesses all important aspects of internal control such as supervision on financial, operation and compliance affairs, etc. based on the five elements of internal control, namely, the internal environment, risk assessment, control activities, information and communication as well as internal supervision.

After risk assessment, the three major risks faced by the Company in 2022 were policy risk, reform and business transformation risk and cash flow risk.

In terms of policy risks, with the normalization of the VBP of drugs and medical devices and the continuous expansion of categories, the DRGs/DIP medical insurance payment control model has been continuously promoted, and the market variety landscape has been adjusted. Meanwhile, affected by the COVID-19 pandemic, the O2O model of Internet hospitals and pharmaceutical retail developed rapidly, and the market terminal structure was adjusted; the introduction and implementation of policies such as "Measures for the Supervision and Administration of Online Drug Sales" rapidly promoted the online sales of prescription drugs. Under the "dual-channel" management mechanism, the retail market has accelerated its adjustment.

In terms of reform and business transformation risks, enterprises need to carry out reform and business transformation to adapt to the development and changes of the pharmaceutical industry under the superposition of multiple influencing factors such as introduction of policies and changing market competition landscape. With the intensification of traditional business competition and the continuous decline of profitability, the innovative business model of enterprises should be constantly adjusted or transformed closely to the new market and new environment. Enterprises should expand emerging markets and develop innovative business while continuously consolidating market share and steadily developing core business.

In terms of cash flow risk, the domestic outbreaks of the pandemic occurred in many places, resulting in a certain decline in the volume of outpatients, operations and inpatients in medical institutions and a long period of closure of retail pharmacies, which affected the Company's operating income and cash flow, extended the operating cycle and slightly increased financial expenses.

The Company constantly improved its risk and internal control management system and mechanism, strengthened the system and process construction, and improved the process management thoroughly by means of prevention in advance, supervision during the process and following up afterwards. In 2022, the Company updated and improved the Enterprise Internal Control Manual to strengthen the internal control special post mechanism of enterprises and departments, and conducted several special trainings on internal control to further improve the internal control awareness of all employees. Meanwhile, the Company embedded internal control management into grass-roots business units in combination with actual business, and reorganized internal control management tools such as control list, framework and evaluation criteria for key areas and key processes of various segments. In addition, the Company actively promoted the work of "abolishment, modification and new formulation" and strengthened the effective connection between internal control and the systems and processes of the Company. In 2022, the Company held two meetings of the Compliance Management Committee, and carried out online and offline on-site compliance inspection and related rectification work for more than 20 subsidiaries. The Company organized the revision of Legal Compliance Management System of Sinopharm Group, revised and completed the Prevention and Control List of Key Compliance Issues of Sinopharm Group for the Year 2022, and organized the revision and signing of the Responsibility Letter for Compliance Operation and Integrity Practice. The Company thoroughly studied the Measures for the Compliance Management of Central State-owned Enterprises, completed the appointment of the Chief Compliance Officer, and formulated the List of Compliance Responsibilities for Key Positions of Sinopharm Group and the Guidelines for Anti-Corruption and Anti-Commercial Bribery of Sinopharm Group. In terms of education and training, the Company launched a special publicity campaign on Shanghai Archives Regulations to all employees in January; conducted four lectures on the rules of law for legal compliance personnel of all subsidiaries throughout the year; conducted training on "Interpretation of the New Anti-monopoly Law" to the leading group of the Company and the main leaders of secondary subsidiaries in July; launched an online "Constitution Publicity Week" for all employees in December; launched an online teaching course "Contract Life Cycle Management" for all employees; and provided professional training and publicity for all employees of Sinopharm through daily articles pushed by the official account of "Collection of Legal Information" and Sinopharm account every working day throughout the year.

The Group continued to strengthen its management on each professional business in its headquarters as well as its supervision on and guidance to the second-tier subsidiaries. It also enhanced its audit supervision and inspection on the implementation of key internal control systems by its subsidiaries in every level by conducting follow-up activities, inspection and special audit thereon. Based on an interactive supervision mechanism, departments including, among others, the audit, legal compliance and discipline inspection departments cooperated in the supervision to form resultant force in order to strengthen management vulnerabilities, ensure implementation of the system, carry out rectification and follow-up activities and improve the accountability mechanism.

Formation of a Long-term Risk Management and Internal Control Mechanism

Every year, the Group instructs each department to identify, analyse and assess the material risks of the Group on the basis of the changing internal and external environment and taking into consideration the possibility and impact of the risk. In light of the actual operation and management of its professional business, each department formulates detailed risk management proposals against material risks on a case by case basis.

During the Reporting Period, the risk and operation management department prepares the Report on Internal Control Systems of the Sinopharm Group to summarise the risk and internal control management work of the previous year and review the supervision, inspection and timely rectification of all material risks. The report also sets out the risk and internal control management plan for the next year as well as resources and events that need coordination and further instruction, and is finally submitted to the management of the Company and the Board for approval.

The Group's management procedures for financial reporting, information disclosure and connected transactions, etc. are in strict compliance with the requirements of the Listing Rules. The Board of Directors enacted the Rules on the Listed Company Information Disclosure Management of Sinopharm Group Co. Ltd., and has set up unified and standard control procedures for information collection, classification, approval and disclosure, which further regulated the management of connected transactions and the management of inside information and insiders, promoted the Company to operate in accordance with the law, and safeguard the legitimate rights and interests of shareholders, creditors, the Company and other stakeholders. Unless the information falls within the "Safe Harbour", the Group will disclose such inside information to the public as soon as practicable. Prior to disclosing relevant inside information to the public, the Group will ensure that such information is kept strictly confidential and will maintain a registration of insiders as required.

On the Board meeting held on 24 March 2023, the Board made an annual review of the risk management and internal control during the Reporting Period and concluded that the Group's internal control had been effectively implemented and there had been no material defects nor deficiency in material risk control based on the outcome of the risk management and internal control work implemented by the Group during the period from 1 January 2022 to the date of this report. The Board is of the view that the risk management and internal control system of the Group is effective and sufficient.

Biographies of Directors, Supervisors and Senior Management

Directors

Mr. Yu Qingming, aged 59, is the chairman, executive Director and the secretary of Party Committee of the Company. Mr. Yu has over 36 years of working experience in the pharmaceuticals industry, especially in the management of pharmaceuticals and medical devices, and holds the professional title of senior engineer. Mr. Yu graduated from Shanghai Medical Equipment College (now known as Shanghai University of Medicine & Health Sciences) in 1987, and graduated from the Party School of the Central Committee of C.P.C majoring in economic management in July 2001 with a master degree. From July 1987 to February 1997, Mr. Yu successively worked at Beijing Pharmaceutical Station of CNPGC, China Medical Instrument Corporation and State Pharmaceutical Administration; from February 1997 to August 2010, Mr. Yu successively held senior management positions in The United Laboratories International Holdings Limited and China Medical Instrument Corporation. Mr. Yu has taken senior management positions of China National Scientific Instruments and Materials Co., Ltd. and China National Medical Device Co., Ltd. since August 2010. He currently serves as the director of China National Scientific Instruments and Materials Co., Ltd. and China National Medical Device Co., Ltd.. Mr. Yu joined the Group since December 2018 and currently serves as secretary of Party Committee, chairman and executive Director of the Company. Mr. Yu currently serves as director and general manager of Sinopharm Investment. Mr. Yu is currently also a representative of the 13th National People's Congress, a party representative of the 12th Party Congress of Shanghai, vice president of China Association for Medical Devices Industry, vice chairman of China Association of Medical Equipment, and chairman of Medical Device Manager 50 Forum (MD50) etc. He is appointed as part-time professor in various universities such as East China University of Science and Technology and Beijing Jiaotong University (formerly known as Northern Jiaotong University).

Mr. Liu Yong, aged 54, is an executive Director, president and deputy secretary of Party Committee of the Company. Mr. Liu has over 31 years of working experience, over 28 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Liu obtained a bachelor's degree in science, majoring in business administration of pharmaceutical enterprises, from China Pharmaceutical University in July 1992, a master's degree in business administration from Fudan University in January 2000 and a doctoral degree in social and administrative pharmacy from China Pharmaceutical University in June 2016. Mr. Liu is a chief pharmacist and a practicing pharmacist. Mr. Liu joined the Group since July 1992. He worked at Shanghai Pharmaceutical Station, China National Pharmaceutical Group Shanghai Co., Ltd., Shanghai Guoda Drug Chain Store Co., Ltd. and Sinopharm Holding Shenyang Co., Ltd.. Mr. Liu held senior management positions in the Company since January 2009, and is currently also an executive Director, president and deputy secretary of Party Committee of the Company. Mr. Liu is currently a representative of the 16th People's Congress of Shanghai, and also serves as the director of Sinopharm Investment, Sinopharm (CNMC LTD) and Sinopharm Accord, and takes senior management positions in a number of subsidiaries.

Mr. Chen Qiyu, aged 51, is a non-executive Director and vice chairman of the Company. Mr. Chen has nearly 30 years of working experience. He obtained a bachelor's degree in genetics from Fudan University in July 1993 and an executive master's degree in business administration from China Europe International Business School in September 2005. Mr. Chen joined Fosun Pharma Group (namely Fosun Pharma and its holding subsidiaries/units, hereafter the same) since 1994, and is currently the executive director and joint chief executive officer of Fosun International (a company listed on the Hong Kong Stock Exchange (stock code: 00656)), the non-executive director of Fosun Pharma (a company listed on the Shanghai Stock Exchange (stock code: 600196) and the Hong Kong Stock Exchange (stock code: 02196)), non-executive director of Henlius (a company listed on the Hong Kong Stock Exchange (stock code: 02696)), and non-executive director of Gland Pharma Limited (a company listed on Bombay Stock Exchange and National Stock Exchange of India, stock code: GLAND and GLAND). Mr. Chen joined the Company since January 2003, and has served as the chief Supervisor and non-executive Director of the Company, and is currently the non-executive Director and vice chairman of the Company. Mr Chen has served as the co-chairman of New Frontier Health Corporation (a company delisted from the NYSE in January 2022) and director of Beijing Sanyuan Food Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600429). Mr. Chen concurrently served as the deputy chairman of Sinopharm Investment. Mr. Chen is currently the chairman of China Medical Pharmaceutical Material Association, vice chairman of China Pharmaceutical Innovation and Research Development Association, honorary chairman and chief supervisor of Shanghai Biopharmaceutics Industry Association, the standing member of the 14th Shanghai Committee of the Chinese People's Political Consultative Conference and part-time vice chairman of Shanghai Federation of Industry and Commerce (General Chamber of Commerce).

Mr. Hu Jianwei, aged 49, is a non-executive Director of the Company. Mr. Hu worked at government agencies for a long time from July 1994 to November 2017. He has in-depth research on macroeconomic operation and management and is familiar with medical and health work. He has served as a member of Party Committee and deputy general manager of CNPGC since December 2017, and general counsel since January 2019, mainly responsible for work such as strategic planning, branding, operation and legal affairs. Mr. Hu has served as non-executive Director of the Company since he joined the Group in December 2018.

Mr. Ma Ping, aged 67, is a non-executive Director of the Company. Mr. Ma has over 40 years of working experience. Mr. Ma received a bachelor's degree from Chemistry Department of Fudan University in 1982. Mr. Ma worked at Ministry of Labor and Personnel, National Pharmaceutical Administration and State Planning Commission from February 1982 to March 1992. He also took senior management positions in London Export Corporation, Hoechst (China), Lotus Healthcare, BMP, Sinogen International Ltd. and United Medical Industrial Group respectively from March 1992 to March 2000. He served as a director and a vice general manager of Tonghua Golden-horse Group (a company listed on the Shenzhen Stock Exchange, stock code: 000766) from March 2000 to September 2001. He served as a director and a general manager of BMP from September 2001 to December 2005. He served as an external director of CNPGC from May 2016 to June 2021, and a director of China National Biotec Group Co., Ltd. from May 2016 to July 2021. Mr. Ma currently serves as a director of BioPro Pharmaceutical Inc. and a project consultant of Principle Capital. Mr. Ma has been serving as a non-executive Director of the Company since joining the Group in October 2016.

Mr. Deng Jindong, aged 59, is a non-executive Director of the Company. He has over 35 years of working experience, over 30 years of which is financial management experience. Mr. Deng obtained a bachelor's degree in economics from Hangzhou Electronics Industry Institution (currently known as Hangzhou Dianzi University) in July 1986 and a master's degree in economics from Central Institute of Finance and Economics (currently known as Central University of Finance & Economics) in January 1991. He is a non-practicing PRC certified public accountant. Mr. Deng was previously the chief financial officer of Economic Information Network Data Co., Ltd., senior audit manager of Taikang Life Insurance Co., Ltd. and the head of the finance department of CNPGC from April 2000 to October 2004. Mr. Deng has been the chief accountant of CNPGC from October 2004 to May 2017, and has served as its vice general manager since May 2017. Mr. Deng has been a non-executive Director since he joined the Group in August 2007. He is currently also the chairman of Sinopharm Investment.

Mr. Wang Kan, aged 38, is a non-executive Director of the Company. Mr. Wang obtained a master's degree of science in pharmacognosy from the School of Pharmaceutical Sciences of Peking University Health Science Center in July 2009. Mr. Wang successively worked at the planning development and industrial management department of China National Pharmaceutical Industry Corporation Ltd. and the investment management department and securities department of China National Biotec Group Co., Ltd. respectively from August 2009 to November 2014. Mr. Wang has worked for China National Pharmaceutical Group Co., Ltd. since November 2014 and held positions of the officer assistant and the deputy officer of the investment management department. He has been serving as the officer of the investment management department and the deputy officer of policy study office of China National Pharmaceutical Group Co., Ltd. since August 2021. Mr. Wang has been a non-executive Director of the Company since December 2022. At present, Mr. Wang also serves as the director of China National Biotec Group Co., Ltd., China Traditional Chinese Medicine Holdings Co. Limited (a company listed on the Hong Kong Stock Exchange, stock code: 00570), China National Corp. of Traditional and Herbal Medicine, Chongqing Taiji Industry (Group) Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600129) and Fresenius Kabi Huarui Pharmaceutical Co., Ltd..

Mr. Wen Deyong, aged 52, is a non-executive Director of the Company. Mr. Wen graduated from Donghua University and received a master's degree in business administration in December 2007. Mr. Wen joined Fosun Pharma Group in May 2002, and is currently the executive director and the chief executive officer (CEO) of Fosun Pharma (a company listed on the Shanghai Stock Exchange (stock code: 600196) and the Hong Kong Stock Exchange (stock code: 02196)), and non-executive director of Henlius (a company listed on the Hong Kong Stock Exchange (stock code: 02696)). Mr. Wen worked at Chongqing Yaoyou Pharmaceutical Co., Ltd. and Chongqing Healthman Pharma Co., Ltd. from September 1995 to May 2016. Mr. Wen has served as the non-executive Director of the Company since September 2017. Mr. Wen is currently also the director of Sinopharm Investment and Sinopharm (CNMC LTD), and a supervisor of Sinopharm Accord. Mr. Wen was also the director of Anhui Sunhere Pharmaceutical Excipients Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300452) and C.Q.Pharmaceutical Holding Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000950).

Mr. Li Dongjiu, aged 58, is a non-executive Director of the Company. Mr. Li has over 35 years of working experience in the pharmaceutical industry, over 30 years of which relates to management experience in the pharmaceutical and healthcare products industry. Mr. Li is a professor–level senior engineer and Doctor of Engineering. Mr. Li obtained a bachelor's degree in chemical engineering from Dalian University of Technology in July 1987, a master's degree in management science and engineering from Wuhan Transportation University in July 1998, a master's degree of arts in international economic and trade relations from the Flinders University of South Australia in October 2005, a PhD degree of transportation planning and management from Wuhan University of Technology in June 2013, and an EMBA degree from China Europe International Business School. Mr. Li held senior management positions in North China Pharmaceutical Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600812) from July 1987 to December 2009, successively served as a general manager of Sales Company of North China Pharmaceutical Group Corporation, a general manager of Business Department of North China Pharmaceutical Group Corporation and deputy general manager of North China Pharmaceutical Co., Ltd. and the head of its financial department. Mr. Li joined Fosun Pharma Group for the first time in December 2009 and successively served as the president of Shanghai Fosun Pharmaceutical Development Co., Ltd., the chairman of the Commercialization and Consumer Products Management Committee of Fosun Pharmaceutical and the senior vice president of Fosun Pharmaceutical and also served as the director of Nature's Sunshine Products Inc (a company listed on the NASDAQ, NASDAQ: NATR) from December 2009 to January 2018; and rejoined Fosun Pharma Group in March 2021 and is currently serving as the senior vice president of Fosun Pharma (a company listed on the Shanghai Stock Exchange (stock code: 600196) and the Hong Kong Stock Exchange (stock code: 02196)). Mr. Li served as a non-executive Director of the Company from October 2013 to January 2018 and served as a vice president and chief legal advisor of the Company from January 2018 to March 2021. Mr. Li once served as a director of Sinopharm (CNMC LTD) and Sinopharm Accord. Mr. Li has been a non-executive Director of the Company since June 2021.

Ms. Feng Rongli, aged 48, is a non-executive Director of the Company. Ms. Feng graduated from Shanghai University with a major in microcomputer application in July 1996 and obtained a master's degree in business administration from Columbia Southern University in February 2002. Ms. Feng has extensive experience in the field of human resources management. Ms. Feng held human resources management positions in Sealed Air Packaging (Shanghai) Co., Ltd. (希悦爾包裝(上海)有限公司), Grundfos Pumps (Shanghai) Co., Ltd. (格蘭富水泵(上海)有限公司), Emerson Electric (China) Holdings Co., Ltd. (艾默生電氣(中國)投資有限公司), Dow Chemical (China) Co., Ltd. (陶氏化學(中國)有限公司), Shanghai Roche Pharmaceutical Co., Ltd. (上海羅氏製藥有限公司), and F. Hoffmann-La Roche AG from July 1996 to February 2015. Ms. Feng served as the deputy chief human resources officer of Fosun High Technology 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) from July 2018 to April 2020. Ms. Feng joined Fosun Pharma Group since April 2020 and is currently serving as the senior vice president of Fosun Pharma (a company listed on the Shanghai Stock Exchange (stock code: 600196) and the Hong Kong Stock Exchange (stock code: 02196)). Ms. Feng currently serves as the chairman of the supervisory committee of Henlius (a company listed on the Hong Kong Stock Exchange, stock code: 02696) and the non-executive director of Sisram Medical Ltd (a company listed on the Hong Kong Stock Exchange, stock code: 01696). Ms. Feng has served as the non- executive Director of the Company since June 2020.

Mr. Zhuo Fumin, aged 72, is an independent non-executive Director of the Company. Mr. Zhuo has more than 47 years of experience in the field of enterprise management and capital markets. Mr. Zhuo graduated from Shanghai Jiaotong University of Engineering Science (currently known as Shanghai University of Engineering Science) in 1983. He subsequently obtained a master's degree in economics from Fudan University in 1997. Mr. Zhuo currently serves as the chairman and managing partner of V Star Capital. Between 1987 and 1995, Mr. Zhuo served positions including an office head and an officer assistant of the Shanghai Government Economic System Reform Committee. Between 1995 and 2002, Mr. Zhuo held in turn various positions such as the managing director and CEO at Shanghai Industrial Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 0363). Mr. Zhuo has served as the chairman and the chief executive officer of Vertex China Investment Co., Ltd. (a wholly–owned subsidiary of Vertex Management Group, a global venture capital management company), founder and chairman of Shanghai Kexing Investment Co., Ltd. and managing partner of GGV Capital, a venture capital fund since 2002. Mr. Zhuo has served as the independent non-executive Director of the Company since March 2016. Mr. Zhuo is also an independent director of Daqo New Energy Corp. (a company listed on the New York Stock Exchange, stock code: DQ) and Dazhong Transportation (Group) Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600611), a non-executive director of Besunyen Holdings Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 0926), and an independent non-executive director of SRE Group Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1207). Mr. Zhuo served as an independent director of Shanghai Shine-Link International Logistics Co., Ltd..

Mr. Chen Fangruo, aged 58, is an independent non-executive Director of the Company. Mr. Chen graduated from Shanghai Jiao Tong University in 1985 with dual Bachelor's Degrees in Shipbuilding and Marine Engineering and Computer Science and Technology. In 1987, he obtained a Master's Degree from the Moore School of Electrical Engineering, University of Pennsylvania. He then received his Ph.D. degree from the Wharton School at the University of Pennsylvania. Mr. Chen worked at Columbia Business School in 1992, successively serving as the Assistant Professor, Associate Professor, Lifetime Associate Professor, and Full Professor. In 2005, he became the Lifetime Chair Professor. During the foregoing period, Mr. Chen acted as a distinguished visiting professor at Stanford School of Business, Cheung Kong Graduate School of Business, Chinese Academy of Sciences, Shanghai Jiao Tong University, Peking University, Tianjin University and other prestigious universities at home and abroad. Mr. Chen has served as the independent non-executive Director of the Company since December 2018. Mr. Chen has served as a visiting chair professor at Shanghai Jiao Tong University since 2017. He is currently a "Guangqi" fund sponsored professor at Shanghai Jiao Tong University, the Dean of Antai College of Economics and Management at Shanghai Jiao Tong University, and concurrently as the Dean of the Industry Research Institute of Shanghai Jiao Tong University. Since 2019, he has served concurrently as the vice chairman of the National MBA Education Instruction Committee and a director of the AMBA & BGA's International Management Board. Currently, Mr. Chen also served as the independent director of Yunnan Jianzhijia Health-Chain Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 605266).

Mr. Li Peiyu, aged 60, is an independent non-executive Director of the Company. Mr. Li obtained a bachelor's degree of engineering in Power System and Automation from Tsinghua University, a master's degree of engineering in Management Engineering from the Department of Economics, School of Economics and Management, Tsinghua University, and PhD of management in Management Science and Engineering from School of Economics and Management, Tsinghua University in July 1984, July 1987 and January 2004, respectively, and obtained a Master of Public Administration (MPA) from Harvard University in June 1998. Mr. Li has worked in the areas of economics, finance and management for more than 30 years. From July 1987 to September 2000, he held positions in the Development Research Center of the State Council. From September 2000 to December 2007, Mr. Li successively served as the deputy director of Henan Provincial Development Planning Committee and the mayor of Hebi City in Henan Province. From December 2007 to November 2020, Mr. Li successively served as director of alternative investment department of China Investment Corporation, inspector of the research office of the State Council, chairman of China Reinsurance (Group) Corporation, and managing director of Beijing Zhongyu Green Investment Management Co., Ltd., managing director of CASIC Investment Fund Management (Beijing) Limited Company (航天科工投資基金管理(北京)有限公司) and the partner of the Beijing Qiyuanhouji Investment Management Co., Ltd. (北京啟源厚積投資管理有限公司). Mr. Li served as the managing director of Lotus Lake Venture Capital Management (Beijing) Co., Ltd. (荷塘創業投資管理(北京)有限公司) from January 2022 to February 2023. Mr. Li has served as the independent non-executive Director of the Company since September 2020.

Mr. Wu Tak Lung, aged 57, is an independent non-executive Director of the Company. Mr. Wu received a bachelor's degree in Business Administration from the Hong Kong Baptist University and a master's degree in business administration jointly from the University of Manchester and the University of Wales, respectively. Mr. Wu currently serves as an independent non-executive director of Sinomax Group Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1418), Kam Hing International Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 2307), Henan Jinma Energy Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 6885), Zhongguancun Science-Tech Leasing Co., Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 1601) and Minth Group Limited (a company listed on the Hong Kong Stock Exchange, stock code: 0425). In the last three years, Mr. Wu was an independent non-executive director of China Machinery Engineering Corporation and Beijing Media Corporation Limited ("**Beijing Media**", a company listed on the Hong Kong Stock Exchange, stock code: 1000). Mr. Wu was criticized by the Hong Kong Stock Exchange due to irregulation of Beijing Media, the details of which are set out in the announcement of the Company dated 14 February 2022. Mr. Wu had worked in Deloitte Touche Tohmatsu, an international accounting firm, for five years. Mr. Wu has served as an independent non-executive Director of the Company since September 2020. Mr. Wu is currently a member of Hong Kong Institute of Certified Public Accountants, a fellow member of Hong Kong Securities and Investment Institute, the Association of Chartered Certified Accountants, the Taxation Institute of Hong Kong, and The Hong Kong Chartered Governance Institute.

Mr. Yu Weifeng, aged 52, is an independent non-executive Director of the Company. Mr. Yu is a lawyer with more than 27 years of working experience as a practicing lawyer. Mr. Yu obtained a bachelor's degree in laws from Fudan University in June 1995 and a master's degree in business administration from China Europe International Business School in July 2015. In July 2019, he completed the Senior Management Leadership Program of Harvard Business School. From July 1995 to December 1998, Mr. Yu served as a paralegal and lawyer in Shanghai Pu Dong International Law Office (now renamed as Shanghai Pu Dong Law Office). Mr. Yu has served as a partner in Links Law Offices since December 1998, and served as a director thereof from January 2014 to June 2020. Mr. Yu currently serves as an independent director of Shenergy Company Limited (a company listed on the Shanghai Stock Exchange, stock code: 600642) and an external director of Jiahua Chemicals Inc.. Mr. Yu served as an independent director of Deppon Logistics Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 603056). Mr. Yu has served as the independent non-executive Director of the Company since September 2020. Currently, Mr. Yu is also a director of Foreign Affairs Committee of the All China Lawyers Association, president of Shanghai Arbitration Association, a member and an arbitrator of Shanghai Arbitration Commission, and an arbitrator of Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Center) and Hainan International Arbitration Court and a mediator of Shanghai Commercial Mediation Center.

Supervisors

Ms. Guan Xiaohui, aged 52, is the chief Supervisor of the Company. Ms. Guan obtained a bachelor's degree in economics from Jiangxi University of Finance and Economics and obtained a master's degree in accounting for senior accountant from the Chinese University of Hong Kong in December 2007. Ms. Guan is qualified as Chinese Certified Public Account (CPA) and a member of The Association of Chartered Certified Accountants (ACCA). Ms. Guan joined Fosun Pharma Group in May 2000 and currently serves as an executive director and vice chairman of Fosun Pharma (a company listed on the Shanghai Stock Exchange (stock code: 600196) and the Hong Kong Stock Exchange (stock code: 02196)). Ms. Guan worked at Jiangxi Provincial Branch of the Industrial and Commercial Bank of China from July 1992 to May 2000. Ms. Guan served as the non-executive Director of the Company from March 2019 to March 2021 and also once served as a supervisor of Sinopharm Accord. Ms. Guan serves as the Supervisor and the chief Supervisor of the Company since June 2021, and currently also serves as the vice president of Fosun International (a company listed on the Hong Kong Stock Exchange, stock code: 00656), a non-executive director of Henlius (a company listed on the Hong Kong Stock Exchange, stock code: 02696) and a supervisor of Sinopharm Industrial Investment Co., Ltd.. Ms. Guan served as a non-executive director of Gland Pharma Limited (a company listed on Bombay Stock Exchange and National Stock Exchange of India, stock code: GLAND and GLAND) from October 2020 to August 2022.

Mr. Liu Zhengdong, aged 53, is a Supervisor of the Company. Mr. Liu is a lawyer who has more than 29 years of working experience as a practicing lawyer. Mr. Liu graduated from East China University of Political Science and Law (formerly known as East China School of Political Science and Law) with a bachelor's degree in Law in 1991, and juris master's degree in 2002. He served as an assistant prosecutor in Railway Transportation branch of Shanghai People's Procuratorate from July 1991 to June 1994. From June 1994 to October 1998, Mr. Liu worked at Shanghai Hongqiao Law Firm and has been serving as a lawyer. Mr. Liu worked at Shanghai Junyue Law Firm from October 1998 to February 2022, and served as director and chief partner successively. Mr. Liu has been working in Jun He Law Offices since February 2022 as a partner. Mr. Liu has served as the independent non-executive Director of the Company from September 2014 to September 2020 and has been a Supervisor of the Company since September 2020. Mr. Liu served as president of the Eighth Session of Shanghai Bar Association and was also honored as National Excellent Lawyer and Shanghai Excellent Non-litigation Lawyer. Currently, Mr. Liu serves as a deputy to the 16th People's Congress of Shanghai, the standing director of the National Lawyers Association, the president of Shanghai Bankruptcy Administrators Association (上海市破產管理人協會) and the vice president of Shanghai General Chamber of Commerce. Mr. Liu also serves as an arbitrator of China International Economic and Trade Arbitration Commission (CIETA), Shanghai International Economic and Trade Arbitration Commission (SHIAC) and Shanghai Arbitration Commission (SAC).

Mr. Wang Peng, aged 40, is a Supervisor of the Company. Mr. Wang is a certified public accountant, an international certified internal auditor and a certified management accountant in the United States. Mr. Wang obtained a master's degree of economics in international trade from Tianjin University of Finance and Economics in June 2008 and obtained a master's degree of business administration from Guanghua School of Management in Peking University in June 2022. Mr. Wang worked at Tianjin Branch of Deloitte Touche Tohmatsu Certified Public Accountants LLP, Tianjin Branch of Standard Chartered Bank (China) Limited and Vcanland Holdings Group Company Limited (永泰紅磡控股集團有限公司) respectively from July 2008 to October 2015. He served as the financial manager of Vcanbio Cell & Gene Engineering Co., Ltd. since October 2015 and the financial director of the company from August 2017 to April 2022. Mr. Wang has been serving as the officer of the finance department of China National Pharmaceutical Group Co., Ltd. since May 2022. Mr. Wang has been serving a Supervisor of the Company since December 2022 and the director of Shanghai Shyndec Pharmaceutical Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600420) since November 2022.

Mr. Liu Hongbing, aged 52, is an employee representative Supervisor of the Company. Mr. Liu served in the army force from 1987 to 2019, and engaged in theory and policy study. From January 2020 to March 2021, Mr. Liu acted as the director of the board office, the head of the publicity department of the Party Committee and the director of press office, and concurrently served as the deputy officer of policy study office of China National Pharmaceutical Group Co., Ltd.. Mr. Liu has served as the employee representative Supervisor of the Company since 17 June 2022 and currently is a member of the Party Committee and the secretary of Discipline Inspection Commission of the Company.

Ms. Lu Haiqing, aged 49, is an employee representative Supervisor of the Company. Ms. Lu obtained a master's degree in accounting from the Chinese University of Hong Kong in December 2012. Ms. Lu is a non-executive member of the Chinese Institute of Certified Public Accountants (CPA) and a non-executive member of the International Certified Internal Auditor (CIA) Association. Ms. Lu has approximately 29 years' working experience, with all audit experience obtained from February 2000 to June 2006. She had served successively as the project manager of the audit department of Guangxi GuiXinCheng Certified Public Accountants Co., Ltd. (廣西桂鑫誠會計事務所),the project manager of the audit department of Shanghai Huadong Certified Public Accountants Co., Ltd., Guangxi Branch (上海華東會計師事務所有限公司廣西分所), the project manager of the investment department of Shanghai Kangrun Investment Co., Ltd. (上海康潤投資有限公司), and the audit manager of the audit department of Bosideng Corporation Limited (波司登股份有限公司). Ms. Lu served as the deputy head of the audit center of the Company from July 2006 to March 2022. She has served as the deputy general manager of the audit center of the Company since April 2022 and an employee representative Supervisor of the Company since September 2020. Ms. Lu currently also takes senior management positions in a number of subsidiaries.

Mr. Zhang Hongyu, aged 61, is the former employee representative Supervisor of the Company. Mr. Zhang has over 36 years of working experience. Mr. Zhang obtained a bachelor's degree in political economics from East China Normal University in July 1985 and a master's degree of EMBA from Shanghai Jiao Tong University in December 2007. Mr. Zhang held human resources management position in China Worldbest Group Co., Ltd. from November 1999 to December 2006. Mr. Zhang joined the Group in March 2007, and served as deputy party secretary and head of Human Resources Department of Sinopharm Logistics Co., Ltd., head of Human Resources Department of Distribution Business Department of the Company, deputy head of Human Resources Department of the Company, head of the Party Affairs Department of the Company and deputy secretary of Discipline Inspection Commission and deputy chairman of Labour Union of the Company as well as the secretary of Discipline Inspection Commission of the Company. Mr. Zhang served as an employee representative Supervisor of the Company from January 2018 to June 2022. Mr. Zhang retired from his position due to attainment of the statutory retirement age.

Company Secretary

Mr. Wu Yijian, the company secretary, is also the secretary to the Board of the Company. Please refer to the section headed "Senior Management" for Mr. Wu's biography.

Senior Management

Mr. Liu Yong, is currently an executive Director and the President of the Company. Please refer to the section headed “Directors” above for Mr. Liu’s biography.

Mr. Li Yang, aged 45, is a vice president of the Company. Mr. Li has more than 23 years of working experience, with more than 21 years of operation and management experience in the medical devices industry. Mr. Li obtained a bachelor of Economics in International Enterprise Management from Dalian Maritime University in July 2000. Mr. Li is a senior engineer. Mr. Li worked at China National Pharmaceutical Group Corporation, General Electric (China) Co., Ltd. and IBA (China) Co., Ltd. from July 2000 to January 2011. Mr. Li has been serving as the senior management of China National Scientific Instruments and Materials Co., Ltd. and China National Medical Device Co., Ltd. since January 2011. Mr. Li currently serves as the chairman of China National Scientific Instruments and Materials Co., Ltd. and China National Medical Device Co., Ltd. and takes senior management positions in a number of subsidiaries of the Company. Mr. Li joined the Group as a vice president of the Company in November 2018.

Mr. Jiang Xiuchang, aged 59, is a vice president of the Company. Mr. Jiang has over 36 years of working experience, over 25 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Jiang obtained a bachelor’s degree in financial accounting from Zhongnan University of Economics and Law in July 1986, and graduated from the class for advanced studies of postgraduate courses in corporate management from the School of International Business Management of University of International Business and Economics in January 2005. Mr. Jiang was qualified as a senior economist and senior accountant. Mr. Jiang served at CNPGC from July 1986 to March 2002. Mr. Jiang served at Sinopharm (CNMC LTD) from March 2002 to May 2010 and successively served as the deputy head, the head of the finance department and the chief financial officer. Mr. Jiang served as the chief financial officer of the Company from May 2010 to March 2021, and has served as the vice president of the Company since July 2013. Mr. Jiang was a director of Sinopharm Accord. Mr. Jiang is currently the general counsel and chief compliance officer of the Company and concurrently served as the chairman of Sinopharm (CNMC LTD) and takes senior management positions in a number of subsidiaries of the Company.

Mr. Cai Maisong, aged 53, is a vice president of the Company. Mr. Cai has over 30 years of working experience. Mr. Cai received a bachelor’s degree of pharmacy from Peking University Health Science Center in July 1992, and later received a master’s degree in business administration from Nankai University. Mr. Cai served at Guangzhou Baiyunshan Pharmaceutical General Factory, Les Laboratoires Servier Industrie, Tianjin purchase station of China National Pharmaceutical Group Corp. and China National Pharmaceutical Group Corp. Tianjin Co., Ltd. from July 1992 to December 2002. Mr. Cai served as a director of commerce department and director of operation management center in Sinopharm Holding Tianjin Co., Ltd. from January 2003 to July 2006, and served as the director of risk and operation management department of the Company from July 2006 to December 2010. Mr. Cai served as the vice director and the director of risk and operation management department and the vice director of policy research office of CNPGC from January 2011 to August 2017. Mr. Cai served as a supervisor of CNPGC from December 2012 to January 2018, and served as a vice principal in Sichuan Province Food and Drug Administration from June 2016 to January 2018. Mr. Cai has been serving as a vice president of the Company since he joined in the Group in January 2018. Mr. Cai currently takes senior management positions in a number of subsidiaries of the Company.

Ms. Li Xiaojuan, aged 47, is the chief financial officer of the Company. Ms. Li has over 21 years of working experience. Ms. Li obtained a bachelor's degree in real estate operation and management from investment economics department of Dongbei University of Finance & Economics in July 1998 and a master's degree in national economics (investment economics) with specialty in securities investment from investment economics department of Dongbei University of Finance & Economics in April 2001. Ms. Li is a non-practicing certified public accountant, a senior economist and a certified asset valuer. Ms. Li served as the project manager of Beijing Tianhua Accounting Firm and the vice director of strategic development department of Xi'an TopSun Group from April 2001 to February 2005. Ms. Li served as the manager of finance department, the director of auditing and supervision office and the manager of auditing department of China National Pharmaceutical Industry Corporation from February 2005 to August 2010. Ms. Li served at CNPGC from August 2010 to March 2021, and served as its vice director of investment management department, the vice director of auditing department, the director of auditing department, the director of finance department and the vice director of policy research office. Ms. Li has served as the Supervisor of the Company from January 2016 to March 2021 and has served as the chief financial officer of the Company since March 2021. Ms. Li is currently a director of Sinopharm Accord and Sinopharm (CNMC LTD), and takes senior management positions in a number of subsidiaries of the Company.

Mr. Chen Zhanyu, aged 52, is a vice president of the Company. Mr. Chen graduated from Xi'an University of Finance and Economics with a college degree in accounts in July 1992, and obtained his master's degree in business administration from Northwest University in 2005 and his master's degree in accounting from the Chinese University of Hong Kong in 2015. Mr. Chen holds the qualification of PRC Certified Public Accountant (CPA). From 1992 to 2011, Mr. Chen took financial management positions at Baoji Pharmaceutical Machinery Plant, Xi'an Fifth Grinding Wheel Factory, Xi'an Omeya Beauty Products Co., Ltd., Xi'an Topsun Science and Technology Co., Ltd. and Shandong Buchang Pharmaceutical Co., Ltd.. Mr. Chen served as the vice president, the vice chief financial officer and the general manager of the Finance Department in Fosun Pharma (a company listed on the Shanghai Stock Exchange (stock code: 600196) and the Hong Kong Stock Exchange (stock code: 02196)) and served as the senior management of several subsidiaries of Fosun Pharma from June 2011 to March 2021. Since joining the Group in March 2021, Mr. Chen has served as a vice president of the Company. Currently, Mr. Chen also takes senior management positions in a number of subsidiaries of the Company.

Mr. Xu Shuangjun, aged 55, is a non-executive vice president of the Company. He has over 37 years of working experience, over 29 years of which is management experience in the pharmaceutical and healthcare products industry. Mr. Xu obtained a bachelor's degree in medicine from the School of Pharmacy of the Second Military Medical University in Shanghai and a master's degree in business administration from the Macau University of Science and Technology. He has the qualifications of practicing pharmacist and chief pharmacist. He was the manager of the operating branch and the deputy general manager of Shijiazhuang City Medicines and Herbs Co., Ltd., the chairman and general manager of Hebei Zhongrui Medicines Co., Ltd., the general manager and secretary of the Party Committee of Shijiazhuang Lerentang Pharmaceutical Co., Ltd., and the chairman, general manager and secretary of the Party Committee of Lerentang Pharmaceutical Group Co., Ltd. from March 1999 to May 2011. Mr. Xu is currently the chairman of Sinopharm Lerentang Pharmaceutical Co., Ltd.. Mr. Xu has been a non-executive vice president of the Company since May 2011.

Mr. Wu Yijian, aged 53, is the secretary to the Board of the Company and the company secretary. Mr. Wu graduated from Shanghai Medical University with a bachelor's degree in preventive medicine in July 1993. Mr. Wu obtained his master's degree in business administration from Tsinghua University in July 2003, his joint master's degree in professional accounting for senior accountant from the Chinese University of Hong Kong and Shanghai National Accounting Institute in July 2013. Mr. Wu worked at Sanjiu Enterprise from July 1993 to May 2004 and served as the sales director of Sanjiu Pharmaceutical Trading Co., Ltd., the chief operating officer of Sanjiu Pharmaceutical Chain Co., Ltd. and the deputy general manager of Shanghai Sanjiu Pharmaceutical Technology Development Co., Ltd.. Mr. Wu worked at Fosun Pharma Group from June 2004 to January 2009, and served as a vice general manager of the investment department and president assistant of Fosun Pharma (a company listed on the Shanghai Stock Exchange (stock code: 600196) and the Hong Kong Stock Exchange (stock code: 02196)). Mr. Wu has served as the vice president of Shanghai Yuyuan Tourist Mart Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600655) from November 2014 to December 2015. Mr. Wu was a non-executive Director of the Company from June 2016 to September 2017 and from March 2018 to December 2018. He has served as the secretary to the Board of the Company since January 2019. Mr. Wu is currently also a director of Sinopharm Accord and takes senior management positions in a number of subsidiaries of the Company.

Mr. Lian Wanyong, aged 53, is the former vice president of the Company. Mr. Lian has over 26 years of working experience, all of which is management experience. Mr. Lian obtained a bachelor's degree in medicine, majoring in clinical medicine, from Hunan University of Medicine (currently known as Central South University Xiangya School of Medicine) in July 1993, a master's degree in medicine, majoring in pharmacology, from Zhongshan Medicine University (currently known as Zhongshan School of Medicine, Sun Yat-Sen University) in July 1996 and a master's degree in business administration from the University of Miami in May 2002, respectively. Mr. Lian is an associate chief pharmacist. Mr. Lian served at CNPGC from July 2005 to January 2018, and successively served as the deputy head of the financial assets management department, the head of the investment management department and the vice director of policy research office. Mr. Lian served as the non-executive Director and Supervisor of the Company from December 2008 to January 2018. Mr. Lian served as a vice president of the Company from January 2018 to September 2022, during which period, he also served as a director of Sinopharm (CNMC LTD) and Sinopharm Accord.

Report of the Board of Directors

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

Principal Business

Our Group is the largest distributor of pharmaceutical products, and a leading supply chain services provider in the PRC; it also operates the largest national pharmaceutical distribution network in the PRC according to the information of China Association of Pharmaceutical Commerce. Taking advantage of its economies of scale and nationwide distribution network, the Group offers a wide range of value-added supply chain services for its customers and suppliers, and establishes new core competitiveness through scale effect and innovation-driven, achieving continuous increase in its market share and profits in the context of complicated market and policy environment.

The Group has integrated operations in the following business segments, namely:

- **Pharmaceutical distribution segment:** Pharmaceutical distribution is the Group's principal business. The Group provides distribution, logistics and other value-added services for domestic and international pharmaceutical and healthcare products manufacturers and other suppliers. The Group differentiates itself from its competitors in China by its strengths of geographic coverage, the breadth of its product portfolio and the comprehensive supply chain services provided to its customers and suppliers, etc.

- **Medical device segment**: The Group is engaged in the distribution of medical devices in China.

- **Retail pharmacy segment:** The Group has established a network of retail drug stores in major cities of China via direct operations and franchises.

- **Other business segment:** The Group is also engaged in the production and sale of pharmaceutical products, chemical reagents and laboratory supplies.

Please refer to the sections headed "Management Discussion and Analysis" and "Corporate Governance Report" for a fair review and the analysis using financial key indicators on the Group's business, major risks and uncertainties faced by the Group, subsequent events (if any), and the future development of the Group's business. Those sections also form a part of this Report of the Board of Directors.

Results

The operating results of the Group during the Reporting Period are set out in the consolidated statement of profit or loss on page 85 of this annual report.

Dividends

Relevant resolution was passed at a meeting of the Board held on 24 March 2023 to propose to distribute a final dividend of RMB0.82 per share (tax inclusive) for the year ended 31 December 2022 (the "**Final Dividend**"), totalling approximately RMB2,558,938,000. If the proposal of profit distribution is approved by shareholders at the 2022 annual general meeting to be held on Thursday, 15 June 2023 (the "**AGM**"), the Final Dividend will be distributed to the shareholders whose names appear on the register of members of the Company on Monday, 26 June 2023 no later than 14 August 2023.

According to the Articles of Association of the Company, the Final Dividends will be denominated and declared in Renminbi. Final Dividend on domestic shares of the Company and for investors investing in the H shares of the Company through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect (the "**Southbound Trading**") (the "**Southbound Trading Shareholders**") will be paid in Renminbi, and the Final Dividend for other holders of H shares of the Company will be paid in Hong Kong dollars. The amount of the Final Dividend payable in Hong Kong dollars shall be calculated based on the average exchange rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the calendar week prior to 15 June 2023 (being the date of declaration of the Final Dividend).

For the Southbound Trading Shareholders, the Company has entered into the Agreement on Distribution of Cash Dividends of H Shares for Southbound Trading (港股通H股股票現金紅利派發協議) with China Securities Depository and Clearing Corporation Limited, pursuant to which, the Shanghai Branch and Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, each of which as a nominee of the holders of H shares for Southbound Trading, will receive all the Final Dividend distributed by the Company and distribute the Final Dividend to the relevant Southbound Trading Shareholders through their depositary and clearing systems.

Pursuant to the Enterprise Income Tax Law of the PRC and its implementing regulations (hereinafter collectively referred to as the "**EIT Law**"), the tax rate of the enterprise income tax applicable to the income of non-resident enterprise deriving from the PRC is 10%. For this purpose, any H shares registered under the name of non-individual enterprise, including the H shares registered under the name of HKSCC Nominees Limited, other nominees or trustees, or other organizations or entities, shall be deemed as shares held by non-resident enterprise shareholders as defined under the EIT Law. The Company will distribute the Final Dividend to non-resident enterprise shareholders subject to a deduction of 10% enterprise income tax withheld and paid by the Company on their behalf.

Any resident enterprise as defined under the EIT Law which has been legally incorporated in the PRC or which has established effective administrative entities in the PRC pursuant to the laws of foreign countries (regions) and whose name appears on the register of the members of H shares of the Company should deliver a legal opinion ascertaining its status as a resident enterprise furnished by a PRC lawyer (with the official chop of the issuing law firm affixed thereon) and relevant documents to Computershare Hong Kong Investor Services Limited in due course, if they do not wish to have the 10% enterprise income tax withheld and paid on their behalf by the Company.

Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guo Shui Fa [1993] No. 045 Document (the "**Notice**") issued by the State Administration of Tax on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprises which have issued shares in Hong Kong to the overseas resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general. However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries of their residence and Mainland China. Thus, 10% personal income tax will be withheld by the Company from the Final Dividend payable to the individual H-share shareholders whose names appear on the register of members of the Company on Monday, 26 June 2023, unless otherwise stated in the relevant taxation regulations, taxation agreements or the Notice. If individual H Share shareholders consider that the tax rate adopted by the Company for the withholding and payment of individual income tax on their behalf is not the same as the tax rate stipulated in any tax treaties between the PRC and the countries (regions) in which they are domiciled, after receiving the dividends, they may proceed with the subsequent tax related treatment in person or through proxy with competent tax authorities of the Company in accordance with requirements under the tax treaties.

Pursuant to the "Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets" (Cai Shui [2014] No.81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) and the "Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets" (Cai Shui [2016] No.127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)) jointly promulgated by the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission, for dividends derived by Mainland individual investors from investing in H-share listed on the Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect, H-share companies shall withhold individual income tax at a tax rate of 20% for the investors. For Mainland securities investment funds investing in shares listed on Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect, the above rules also apply and individual income tax shall be levied on dividends derived therefrom. Dividends derived by Mainland enterprise investors from investing in shares listed on Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect shall be reported and paid by the enterprise investors themselves. H-share companies will not withhold or pay enterprise income tax on their behalf in the distribution of dividends.

The Company will have no liability in respect of any claims arising from any delay in, or inaccurate determination of the status of the shareholders or any disputes over the mechanism of withholding.

The Board is not aware of any shareholders who have waived or agreed to waive any dividends.

Dividend Policy

The Company has established a dividend policy. Under the PRC Company Law and the Articles of Association, all of our shareholders have equal rights to dividends and distribution. The declaration of dividends is subject to the discretion of the Board and the approval of the shareholders, which the Company expects will take into account factors such as the following:

(i) the Company's financial results;

(ii) the Company's shareholders' interests;

(iii) general business conditions and strategies;

(iv) the Company's capital requirements;

(v) contractual restrictions on the payment of dividends by the Company to its shareholders or by the Company's subsidiaries to the Company;

(vi) taxation considerations;

(vii) possible effects on the Company's credit worthiness;

(viii) statutory and regulatory restrictions; and

(ix) any other factors the Board may deem relevant.

The allocations to the statutory common reserve fund are currently determined to be 10% of the Company's after-tax profit attributable to equity holders of the Company for the fiscal year determined in accordance with PRC accounting rules and regulations. When the accumulated allocations to the statutory common reserve fund reach 50% of the Company's registered capital, the Company will no longer be required to make allowances for allocation to the statutory common reserve fund.

Purchase, Sale and Redemption of Listed Securities

During the Reporting Period, none of the Company and its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

Principal Subsidiaries

Details of the names, principal places of business, places of incorporation and issued share capital of the Company's principal subsidiaries are set out in Note 47 to the Consolidated Financial Statements.

Reserves

Details of movements in reserves of the Group during the Reporting Period are set out in the Consolidated Statement of Changes in Equity on page 90 of this annual report and Note 40 to the Consolidated Financial Statements.

Distributable Reserves

In accordance with the PRC Company Law, the Company may only distribute dividends out of its distributable profits of the year (i.e. the Company's profit after tax after offsetting:

(i) the accumulated losses brought forward from the previous years; and

(ii) the allocations to the statutory surplus reserve and, if any, the discretionary common reserve (in such order of priorities)).

According to the Articles of Association, for the purpose of determining distributable profit, the distributable profit of the Company shall be the lower of its profit after tax determined in accordance with: (i) the PRC accounting standards and regulations; and (ii) the HKFRSs.

In 2022, the distributable reserves of the Group, calculated based on the above principles, amounted to approximately RMB42,914 million, which is prepared in accordance with the HKFRSs.

Property, Plant, Equipment and Investment Properties

Details of changes in investment properties and property, plant and equipment of the Group during the Reporting Period are set out in Notes 17 and 18 to the Consolidated Financial Statements.

Borrowings

Details of borrowings of the Group are set out in Note 33 to the Consolidated Financial Statements.

Debenture

In order to facilitate the adjustment of the debt structure of the Group and reduce financing costs, the Group issued super short-term commercial papers of RMB16 billion in 2022.

Details of issuance and redemption of bonds of the Group during the Reporting Period are set out in Note 33 to the Consolidated Financial Statements.

Major Customers and Suppliers

During the Reporting Period, purchases of goods and services from its 5 largest suppliers were less than 30% of the Group's total purchases, and the goods and services sold to its 5 largest customers were less than 30% of the Group's total sales.

Permitted Indemnity Provisions

The Company has maintained directors' liability insurance to protect the Directors of the Company against any potential losses arising from his/her actual or alleged misconduct. Such insurance was in force during the Reporting Period and remained effective as of the date of this report.

Connected Transactions

Pursuant to the requirements of the Listing Rules, the transactions between the Company and its connected persons (as defined under the Listing Rules) constitute connected transactions of the Company. The Company regulates and manages such transactions in compliance with the Listing Rules. The followings are the non-exempt connected transactions conducted by the Group during the Reporting Period.

Non-Exempt Continuing Connected Transactions

For the year of 2022, the Group entered into several non-exempt continuing connected transactions. The annual caps for and the actual transaction amounts of the non-exempt continuing connected transactions by the Group are set out below:

Transactions between the Group and the CNPGC Group under the Procurement Framework Agreement and Sales Framework Agreement	**Annual cap for the year 2022** (RMB million)	**Actual Transaction amounts for the year ended 31 December 2022** (RMB million)
Transactions between the Group and the CNPGC Group under the Procurement Framework Agreement [1]	10,600	8,093
Transactions between the Group and the CNPGC Group under the Sales Framework Agreement [1]	4,200	2,470

Transactions between the Group and Sinopharm Group Finance Company under the Financial Services Framework Agreement	**Annual cap for the year 2022** (RMB million)	**Actual Transaction amounts for the year ended 31 December 2022** (RMB million)
Maximum daily balance of the deposits placed with Sinopharm Group Finance Company by the Group (including accrued interest)	2,420	2,410
Interests/service fees incurred by the Group for the provision of other financial services by Sinopharm Group Finance Company	500	119

Transaction between the Group and the CNPGC Group under the EPC General Contracting Services Framework Agreement	**Annual cap for the year 2022** (RMB million)	**Actual Transaction amounts for the year ended 31 December 2022** (RMB million)
Amount payable by the Group to the CNPGC Group under the EPC General Contracting Services Framework Agreement	300	28

Transaction between the Group and the Factoring Company under the Factoring Services Framework Agreement	Annual cap for the year 2022 (RMB million)	Actual Transaction amounts for the year ended 31 December 2022 (RMB million)
Interests/service fees payable by the Group to the Factoring Company under the Factoring Services Framework Agreement	180	84

Transactions between the Group and the Natong Group under the Procurement Framework Agreement	Annual cap for the year 2022 (RMB million)	Actual Transaction amounts for the year ended 31 December 2022 (RMB million)
Amount paid by the Group to the Natong Group under the Procurement Framework Agreement	2,000	536

(1) As disclosed in the announcement of the Company dated 18 March 2022, the actual transaction amounts of the transactions between the Group and the CNPGC Group under the Procurement Framework Agreement for the year ended 31 December 2021 exceeded the annual cap for the year and the actual transaction amounts of the transactions between the Group and the CNPGC Group under the Sales Framework Agreement for the year ended 31 December 2021 exceeded the annual cap for the year. On 18 March 2022, the Board of the Company held the board meeting to propose to (1) ratify the actual transaction amounts of the transactions between the Group and the CNPGC Group under the Procurement Framework Agreement and the Sales Framework Agreement for the year ended 31 December 2021; and (2) revise the annual caps for the years of 2022 and 2023 for the transactions contemplated under the Procurement Framework Agreement and the Sales Framework Agreement, which were approved at the general meeting of the Company on 20 May 2022. For the details, please refer to the aforesaid announcement.

The continuing connected transactions between the Group and the CNPGC Group under the Procurement Framework Agreement

In order to regulate the continuing connected transactions in respect of the procurement of pharmaceutical products between the Group and CNPGC Group, the Company and the CNPGC renewed the Procurement Framework Agreement of Pharmaceutical Products, Personal-care Supplies and Medical Devices ("**Procurement Framework Agreement**") on 22 October 2020, and set up the annual caps for the continuing connected transactions contemplated under the Procurement Framework Agreement for the three years ending 31 December 2023 to be RMB7,000 million, RMB8,000 million and RMB9,000 million, respectively.

Pursuant to the Listing Rules, the above-mentioned Procurement Framework Agreement and the annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2023 have been approved by the independent shareholders of the Company. On 18 March 2022, the Board of the Company resolved to propose to increase the annual caps for the year ending 31 December 2022 and the year ending 31 December 2023 to RMB10,600 million and RMB12,200 million, respectively, which were approved by the independent shareholders of the Company on 20 May 2022.

Pursuant to the Procurement Framework Agreement, the Group has agreed to purchase pharmaceutical products, personal-care supplies, medical devices and health products from the CNPGC Group, and the CNPGC Group has agreed to sell such products to the Group.

Under the Procurement Framework Agreement, the price shall be determined in accordance with the following pricing principles: (i) The price of pharmaceutical products and medical devices to be purchased by the Group from the CNPGC Group under the Procurement Framework Agreement, which will be determined after mainly taking into account (a) the final price according to which the relevant product is sold to hospitals, pharmacies and other institutions; (b) the distribution costs of the relevant members of the Group; and (c) the profit level of the Group on relevant product, which will be determined by the parties through arm's length negotiation; (ii) The price of personal-care supplies and health products to be purchased by the Group from the CNPGC Group under the Procurement Framework Agreement, which will be determined by the parties through arm's length negotiation after mainly taking into account the guiding retail price provided by relevant members of the CNPGC Group for the related products, the distribution costs of the relevant members of the Group, and the profit level of the Group on relevant product; (iii) Before purchasing products such as pharmaceutical products, personal-care supplies, medical devices and health products from the relevant member of the CNPGC Group, the Company and/or its subsidiaries will (a) consider a variety of factors relating to the relevant products, including but not limited to the price, quality, credit period, delivery method, after-sales service, gross profit and average price in the industry; and (b) go through all necessary internal review and approval procedures by the president and/or various departments of the Company and/or its subsidiaries (including but not limited to the procurement department, finance department, legal department, quality department and operation department). For products with public bidding price/public procurement price (such as pharmaceutical products), after taking into account the tender price won in the public bidding process which is held by the tender offices of relevant levels of the PRC government or hospitals in respect of particular product, geographical location of the products, the market size of products and the above factors stated in (a), the Company and/or its subsidiaries will determine whether to accept the price of the products as offered by members of the CNPGC Group. After considering such factors and going through such internal procedures, the Company and/or its subsidiaries will determine whether to accept the procurement price of the products as offered by members of the CNPGC Group. If the Company and/or its subsidiaries, after taking into consideration all the above-mentioned factors, consider that the procurement price offered by members of the CNPGC Group is not in the best interest of the Company and its shareholders, or is not fair and reasonable, they will make the decision not to purchase such products from the CNPGC Group.

The Procurement Framework Agreement is for a term of three years with effect from 1 January 2021 and ended on 31 December 2023. Upon expiry, the Procurement Framework Agreement will, subject to compliance with the relevant requirements under the Listing Rules and agreement of the parties, be renewed for a further term of three years. For details of the transactions, please refer to the announcements published on the websites of the Hong Kong Stock Exchange and the Company on 22 October 2020 and 18 March 2022.

CNPGC is the ultimate controlling shareholder of the Company and a connected person of the Company under the Listing Rules. Therefore, the transactions under the Procurement Framework Agreement between the Company and the CNPGC constitute continuing connected transactions of the Company.

The continuing connected transactions between the Group and the CNPGC Group under the Sales Framework Agreement

In order to regulate the continuing connected transactions in respect of the sales of pharmaceutical products between the Group and the CNPGC Group, the Company and the CNPGC renewed the Sales Framework Agreement in respect of pharmaceutical products, personal-care supplies, medical devices, chemical reagents, laboratory supplies and health products ("**Sales Framework Agreement**") on 22 October 2020, and set up the annual caps for the continuing connected transactions contemplated under the Sales Framework Agreement for the three years ending 31 December 2023 to be RMB1,800 million, RMB2,000 million and RMB2,150 million, respectively.

Pursuant to the Listing Rules, the above-mentioned Sales Framework Agreement and the annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2023 have been approved by the Board of the Company. On 18 March 2022, the Board of the Company resolved to propose to increase the annual caps for the year ending 31 December 2022 and the year ending 31 December 2023 to RMB4,200 million and RMB5,500 million, respectively, which were approved by the independent shareholders of the Company on 20 May 2022.

Pursuant to the Sales Framework Agreement, the Group has agreed to sell products such as pharmaceutical products, personal-care supplies, medical devices, chemical reagents, laboratory supplies and health products to the CNPGC Group; and the CNPGC Group has agreed to purchase such products from the Group.

Under the Sales Framework Agreement, the sales price shall be determined in accordance with the following pricing principles: (i) The price of pharmaceutical products, personal-care supplies, medical devices, chemical reagents, laboratory supplies and health products sold by the Group to the CNPGC Group under the 2020 Sales Framework Agreement, which will be determined after mainly taking into account (a) the purchase cost (including products cost, cost of capital, logistic cost and others) for relevant products purchased by relevant members of the Group and (b) the profit level of the Group on related products, which will be determined by the parties through arm's length negotiation; (ii) The finance department of the Company will be responsible for collecting data of the continuing connected transactions conducted by the Company or any of its subsidiaries on a regular basis. The president and various departments (including but not limited to the procurement department, finance department, legal department, quality department and operation department) of the Company and/or its subsidiaries will carry out all necessary internal review and approval procedures, and examine and compare specific agreements for such continuing connected transactions with those entered into with independent third parties, so as to ensure that the pricing policies of the relevant products offered by the Company and/or its subsidiaries to the CNPGC Group are comparable to those offered to independent third parties.

The Sales Framework Agreement is for a term of three years with effect from 1 January 2021 and ended on 31 December 2023. Upon expiry, the Sales Framework Agreement will, subject to compliance with the relevant requirements under the Listing Rules and agreement of the parties, be renewed for a further term of three years. For details of the transactions, please refer to the announcements published on the websites of the Hong Kong Stock Exchange and the Company on 22 October 2020 on 28 March 2022.

CNPGC is the ultimate controlling shareholder of the Company and a connected person of the Company under the Listing Rules. Therefore, the transactions under the Sales Framework Agreement between the Company and the CNPGC constitute continuing connected transactions of the Company.

The continuing connected transactions between the Group and Sinopharm Group Finance Company under the Financial Services Framework Agreement

In order to regulate the continuing connected transactions in respect of the utilization of financial services between the Group and Finance Company, the Company and Sinopharm Group Finance Company renewed the Financial Services Framework Agreement ("**Financial Services Framework Agreement**") on 18 December 2020, and set up the annual caps for the maximum daily balance of the deposits under the Financial Services Framework Agreement for each of the three years ending 31 December 2023 to be RMB2,420 million, and the annual caps for the interests/service fees payable for the provision of other financial services under the renewed Financial Services Framework Agreement for each of the three years ending 31 December 2023 to be RMB500 million.

Pursuant to the Listing Rules, the Financial Services Framework Agreement and the annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2023 have been approved by the Board of the Company.

Pursuant to the Financial Services Framework Agreement, the Company and/or its subsidiaries will, from time to time, utilize the following financial services available from Sinopharm Group Finance Company as is deemed necessary. Such services include: deposit services; loan and entrusted loan services; bill discounting and acceptance services, finance lease services, and settlement services; and other services as approved by CBIRC.

Fees and charges payable by the Company and/or its subsidiaries to Sinopharm Group Finance Company under the Financial Services Framework Agreement are determined on the following basis:

(1) deposit services: interest rates shall be in compliance with the requirements on interest rates prescribed by the PBOC for such type of deposits, and shall not be lower than each of (i) the interest rates offered to other members of the CNPGC Group by Sinopharm Group Finance Company for the same category of deposits; and (ii) the interest rates offered to the Company and/or its subsidiaries by general commercial banks for the same category of deposits.

(2) loan services: interest rates shall be in compliance with the requirements on interests prescribed by the PBOC for such type of loans, and shall not be higher than each of (i) the interest rates offered to other members of the CNPGC Group by Sinopharm Group Finance Company for the same category of loans; and (ii) the interest rates offered to the Company and/or its subsidiaries by general commercial banks for the same category of loans.

(3) other financial services: the interests or service fees charged for other financial services shall (i) comply with the standard rates as promulgated by the PBOC or CBIRC from time to time (if applicable); (ii) be not higher than the interests or service fees offered to the Company and/or its subsidiaries by general commercial banks for the same category of financial services; and (iii) be not higher than the interests or service fees offered to other members of the CNPGC Group by Sinopharm Group Finance Company for the same category of financial services.

Sinopharm Group Finance Company may provide other services to the Company and/or its subsidiaries as may be approved by CBIRC in the future. The fees and charges for such services to be provided shall: (i) comply with the standard rates as promulgated by the PBOC or CBIRC from time to time (if applicable) for such kind of services; (ii) be not higher than the fees charged by commercial banks from the Company and/or its subsidiaries for the same category of financial services; and (iii) be not higher than the fees charged by the Sinopharm Group Finance Company from other members of the CNPGC Group for the same category of financial services.

The Financial Services Framework Agreement is effective for a term of three years from 1 January 2021 to 31 December 2023. For details of the transactions, please refer to the announcement published on the websites of the Hong Kong Stock Exchange and the Company on 18 December 2020.

Sinopharm Group Finance Company is a subsidiary of the ultimate controlling shareholder of the Company and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Financial Services Framework Agreement between the Company and Sinopharm Group Finance Company constitute continuing connected transactions of the Company.

The continuing connected transactions between the Group and the CNPGC Group under the EPC General Contracting Service Framework Agreement

In order to regulate the continuing connected transactions in respect of the EPC general contracting service between the Group and the CNPGC Group, the Company and the CNPGC renewed the EPC General Contracting Service Framework Agreement ("**EPC General Contracting Service Framework Agreement**") on 22 October 2020, and set up the annual caps for the continuing connected transactions contemplated under the EPC General Contracting Service Framework Agreement for each of the three years ending 31 December 2023 to be RMB300 million.

Pursuant to the Listing Rules, the EPC General Contracting Service Framework Agreement and the annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2023 have been approved by the Board of the Company.

Pursuant to the EPC General Contracting Service Framework Agreement, the CNPGC Group will provide EPC (Engineering, Procurement, and Construction) general contracting services to the Group according to the EPC general contracting agreements obtained by CNPGC Group through bidding process.

Under the EPC General Contracting Service Framework Agreement, the price shall be determined in accordance with the following pricing principles: (i) Under the EPC General Contracting Service Framework Agreement, the service provider and the price of EPC general contracting services shall be determined through a bidding process in principle and in compliance with applicable laws, regulations and rules. The CNPGC Group shall bid by stringently following the steps and/or measurements as stipulated by The Invitation And Submission of Bids Law of the PRC and the specific requirements in bidding invitation documents made by the Group; (ii) The bid invitation documents made by the Group include all substantial requirements and all key terms for the conclusion of contracts, including: the project's technical requirements, the criteria for examination of the contractors, the requirements for the bid price and the standard of evaluation of the bid and etc. The Group's tender committee is responsible for (a) adhering the process is in accordance with The Invitation And Submission of Bids Law of the PRC; (b) reviewing, evaluating and monitoring documents from outsourcing service providers based on the technical, commercial and pricing criteria and payment terms of relevant service fees, which will ensure the terms obtained by the Group from the CNPGC Group is no less favorable than those available from independent third parties; and (c) grading the service providers and writing recommendation advice. The Group's tender committee is responsible for deciding which service provider will be awarded the EPC General Contracting Service Framework Agreement.

The EPC General Contracting Service Framework Agreement is for a term of three years with effect from 1 January 2021 and ended on 31 December 2023. For details of the transactions, please refer to the announcement published on the websites of the Hong Kong Stock Exchange and the Company on 22 October 2020.

CNPGC is the ultimate controlling shareholder of the Company and a connected person of the Company under the Listing Rules. The transactions under the EPC General Contracting Service Framework Agreement between the Company and the CNPGC constitute continuing connected transactions of the Company.

The continuing connected transactions between the Group and the Factoring Company under the Factoring Services Framework Agreement

In order to regulate the continuing connected transactions in respect of the factoring services between the Group and Factoring Company, the Company and the Factoring Company entered into the Factoring Services Framework Agreement ("**Factoring Services Framework Agreement**") on 22 October 2020, and set up the annual caps of interests/fees payable by the Group for commercial factoring services for each of the three years ending 31 December 2023 under the Factoring Services Framework Agreement to be RMB150 million, RMB180 million and RMB200 million, respectively.

Pursuant to the Listing Rules, the Factoring Services Framework Agreement and the annual caps for the continuing connected transactions contemplated thereunder for three years ending 31 December 2023 have been approved by the Board of the Company.

Pursuant to the Factoring Services Framework Agreement, the Factoring Company will provide recourse and non-recourse factoring and other commercial factoring services (including sales sub-account management services, accounts receivable collection services and other permitted business of the Factoring Company) to the Group.

Pursuant to the Factoring Services Framework Agreement, the comprehensive pricing (including interest and fees) of the commercial factoring services charged by the Factoring Company shall be fair and reasonable and shall not be higher than the comprehensive pricing of the same commercial factoring services provided by independent third parties to the Group during the same period.

The Factoring Services Framework Agreement shall be effective from 1 January 2021 to 31 December 2023. For details of the transactions, please refer to the announcement published on the websites of the Hong Kong Stock Exchange and the Company on 22 October 2020.

The Factoring Company is a subsidiary of the Company's ultimate controlling shareholder, and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Factoring Services Framework Agreement constitute continuing connected transactions of the Company.

The continuing connected transactions between the Group and the Natong Group under the Natong Procurement Framework Agreement

In order to effectively regulate the continuing connected transactions in respect of the procurement of medical devices between the Group and Natong Group Company, its subsidiaries and 30%-controlled companies (collectively the "**Natong Group**"), the Company and the Natong Group Company entered into the Procurement Framework Agreement ("**Natong Procurement Framework Agreement**") for medical devices including orthopedic consumables, surgical instruments and other related or auxiliary products on 28 July 2020, and set up the annual caps for the continuing connected transactions contemplated under the Natong Procurement Framework Agreement for the three years ending 31 December 2022 to be RMB1,500 million, RMB1,800 million and RMB2,000 million, respectively.

Pursuant to the Listing Rules, the Natong Procurement Framework Agreement and the annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2022 have been approved by the Board of the Company.

Pursuant to the Natong Procurement Framework Agreement, the Group has agreed to procure medical devices including orthopedic consumables, surgical instruments and other related or auxiliary products from the Natong Group, and the Natong Group has agreed to sell such products to the Group.

The Group will procure relevant products from the Natong Group on a voluntary and non-compulsory basis and is entitled to procure aforementioned products from any other third parties.

Under the Natong Procurement Framework Agreement, the price shall be determined in accordance with the following pricing principles: (i) The price of medical devices including orthopedic consumables, surgical instruments and other related or auxiliary products procured by the Group from the Natong Group under the Natong Procurement Framework Agreement will be offered by members of the Natong Group based on the bid-winning price won by members of the Natong Group in the public bidding procedures of the tender offices of Chinese government or hospitals, or the procurement price from medical institutions, deducting the gross profit of distributors at each level; (ii) The Natong Group will on a semi-annual basis, provide the Company and its subsidiaries with the procurement price list of all the specific varieties of related products of the same business type. In the event of major changes in product prices due to changes in industry policies, it will further provide the latest price list of related products in a timely manner; (iii) The Company and/or its subsidiaries, after considering comprehensively a variety of factors relating to the specific product, including but not limited to the price, quality, terms of payment, delivery method, after-sales service, gross profit and average price in the industry and going through all necessary internal review and approval procedures of the president and various departments including but not limited to business department, finance department, operation department and quality department of the Company and/or its subsidiaries, will determine whether to accept the procurement price of specific product as offered by members of the Natong Group. If the Company and/or its subsidiaries, after taking into consideration all the above-mentioned factors, consider that the procurement price offered by members of the Natong Group is not in the best interest of the Company and its shareholders, or is not fair and reasonable, they will make the decision not to procure such products from the Natong Group.

The Natong Procurement Framework Agreement is for a term from 28 July 2020 and ending on 31 December 2022. Upon expiry, the Natong Procurement Framework Agreement will, subject to compliance with the relevant requirements under the Listing Rules and agreement of the parties, be renewed for a further term of three years. On 26 October 2022, the Company entered into the 2022 Procurement Framework Agreement with Natong Group Company for a term of three years from 1 January 2023 to 31 December 2025. For details of the transactions, please refer to the announcements published on the websites of the Hong Kong Stock Exchange and the Company on 28 July 2020 and 26 October 2022.

The Natong Group Company is the holding company of Beijing Natong Shichuang Investment Management Co., Ltd. (北京納通實創投資管理有限公司), a substantial shareholder of CSIMC (a significant subsidiary of the Company) and a connected person of the Company under the Listing Rules. Therefore, the transactions under the Natong Procurement Framework Agreement between the Company and the Natong Group Company constitute continuing connected transactions of the Company.

The Company has confirmed that the execution and enforcement of the implementation agreements under the continuing connected transactions set above for the year ended 31 December 2022 has followed the pricing principles of such continuing connected transactions.

The independent non-executive Directors had reviewed the above continuing connected transactions and confirmed that these transactions had been entered into:

i. in the ordinary and usual course of business of the Group;

ii. either on normal commercial terms or on terms no less favourable to the Company; and

iii. in accordance with relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the auditors of the Company to perform certain agreed-upon procedures in respect of the continuing connected translations and the auditors have reported the factual findings on these procedures to the Board.

The auditors of the Company had informed the Board and confirmed that with respect to the above-mentioned continuing connected transactions, they did not:

i. notice anything that would cause them to believe that the above-mentioned continuing connected transactions have not been approved by the Board of the Company;

ii. for the transaction involving the provision of goods or services by the Group, notice anything that would cause them to believe that the transactions were not conducted in accordance with the Group's pricing policy in all material aspects;

iii. notice anything that would cause them to believe that the above-mentioned continuing connected transactions were not entered into in accordance with the relevant agreements governing such transactions in all material aspects; and

iv. notice anything that would cause them to believe that the above-mentioned continuing connected transactions exceeded the annual cap set by the Company.

Save as disclosed above, for the year ended 31 December 2022, there is no other related party transaction or continuing related party transaction set out in Note 46 to the Consolidated Financial Statements which constitutes discloseable connected transaction or continuing connected transaction under the Listing Rules. In respect of the connected transactions and the continuing connected transactions, the Company has complied with all requirements (including disclosure requirements) of the Listing Rules (as amended from time to time).

Directors' and Supervisors' Service Contracts

Each of the Directors and Supervisors has entered into a service contract with the Company. None of the Directors and Supervisors has entered into any service contract with the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Biographies of Directors, Supervisors and Senior Management

Biographies of the Directors, Supervisors and senior management are set out from page 47 to 57 of this annual report.

The list of Directors during the Reporting Period and as at the date of this report (unless otherwise stated) is set out below:

Name	Position	Commencement Date	Expiry Date
Executive Directors			
Yu Qingming	Executive Director	18 September 2020	17 September 2023
Liu Yong	Executive Director	18 September 2020	17 September 2023
Non-executive Directors			
Chen Qiyu	Non-executive Director	18 September 2020	17 September 2023
Hu Jianwei	Non-executive Director	18 September 2020	17 September 2023
Ma Ping	Non-executive Director	18 September 2020	17 September 2023
Deng Jindong	Non-executive Director	18 September 2020	17 September 2023
Wang Kan	Non-executive Director	23 December 2022	17 September 2023
Wen Deyong	Non-executive Director	18 September 2020	17 September 2023
Li Dongjiu	Non-executive Director	10 June 2021	17 September 2023
Feng Rongli	Non-executive Director	18 September 2020	17 September 2023
Independent Non-executive Directors			
Zhuo Fumin	Independent non-executive Director	18 September 2020	17 September 2023
Chen Fangruo	Independent non-executive Director	18 September 2020	17 September 2023
Li Peiyu	Independent non-executive Director	18 September 2020	17 September 2023
Wu Tak Lung	Independent non-executive Director	18 September 2020	17 September 2023
Yu Weifeng	Independent non-executive Director	18 September 2020	17 September 2023

Remunerations of Directors, Supervisors, Senior Management and Five Highest Paid Individuals

The Remuneration Committee determines and makes recommendation to the Board (as appropriate) on the remuneration and other benefits payable to the Directors. The committee regularly reviews the remuneration of all Directors to ensure that their remuneration and compensation are at appropriate level. The Group maintains competitive remuneration packages with reference to the industry standard and according to the business development of the Group, and determines remuneration of the Directors based on their qualifications, experience and contributions, to attract and retain its Directors as well as to control costs.

Details of the remuneration of the Directors and Supervisors in 2022 are set out in Note 49 to the Consolidated Financial Statements.

Details of the five highest paid individuals of the Group in 2022 are set out in Note 11 to the Consolidated Financial Statements. Details of the remuneration of the current senior management of the Company by band for the year ended 31 December 2022 are set out as follows:

Range	Number of individuals
Below RMB3,000,000	8
RMB3,000,000 to RMB6,000,000	4
RMB6,000,000 to RMB9,000,000	2

Interests of Directors and Supervisors in Transaction, Arrangement or Contract

Save as the non-exempt connected transactions disclosed in this annual report, for the year ended 31 December 2022, there was no transaction, arrangement and contract of significance to which the Company, its holding company, its subsidiaries or a subsidiary of its holding company was a party and in which a Director, Supervisor or their connected entity has or had at any time during that period, in any way, whether directly or indirectly, a material interest.

Interests of Directors in Competing Business

As at 31 December 2022, none of the Directors of the Company has any interests in the competing business which would be required to be disclosed under Rule 8.10 of the Listing Rules.

Directors', Supervisors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

As at 31 December 2022, the interests or short positions held by 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code are as follows:

Name	Class of shares	Nature of interest and the capacity	Number of shares held	Approximate percentage to the total number of shares of the Company (%)	Approximate percentage to the relevant class of shares (%)	Long position/ short position
Yu Qingming	H shares	Beneficial owner	100,000	0.00	0.01	Long position
Liu Yong	H shares	Beneficial owner	59,009	0.00	0.00	Long position

Note: The information was disclosed based on the data available on the website of the Hong Kong Stock Exchange (www. hkex.com.hk), the above-mentioned "approximate percentage to the total number of shares of the Company" is calculated based on the total number of issued shares of the Company of 3,120,656,191 as at 31 December 2022, and the "approximate percentage to the relevant class of shares" is calculated based on the total number of issued H shares of the Company of 1,341,810,740 as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, none of the Directors, Supervisors and the chief executive of the Company had any interests or short positions 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) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code.

Rights to Purchase Shares or Debentures of Directors, Supervisors and Chief Executive

No arrangements to which the Company, any of its subsidiaries, its holding company or any subsidiary of its holding company is or was a party enabling the Directors, Supervisors and the chief executive of the Company to acquire benefits by means of acquisitions of shares or debentures of the Company or any other body corporate subsisted during the Reporting Period.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 31 December 2022, to the best knowledge of the Directors, the interests or short positions of the following persons (other than the Directors, Supervisors or the chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Name	Class of shares	Nature of interest and the capacity	Number of shares held	Approximate percentage to the total number of shares of the Company (%)	Approximate percentage to the relevant class of shares (%)	Long position/ short position
CNPGC	Domestic shares	Beneficial owner	207,289,498 (Note 2)	6.64	11.65	Long position
	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 2)	50.36	88.35	Long position
Sinopharm Investment	Domestic shares	Beneficial owner	1,571,555,953 (Notes 1 and 2)	50.36	88.35	Long position
Fosun Pharma	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 3)	50.36	88.35	Long position
Fosun High Technology	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 4)	50.36	88.35	Long position
Fosun International	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 5)	50.36	88.35	Long position
Fosun Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 6)	50.36	88.35	Long position
Fosun International Holdings	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 7)	50.36	88.35	Long position
Mr. Guo Guangchang	Domestic shares	Interest of controlled corporation	1,571,555,953 (Notes 1 and 8)	50.36	88.35	Long position
Citigroup Inc.	H Shares	Interest of controlled corporation (Note 9)	3,567,839 3,417,617	0.11 0.11	0.27 0.25	Long position Short position
		Approved lending agent (Note 9)	109,753,003	3.52	8.18	Long position
BlackRock, Inc.	H Shares	Interest of controlled corporation (Note 10)	105,175,062	3.37	7.84	Long position
			618,000	0.02	0.05	Short position
FMR LLC	H Shares	Interest of controlled corporation (Note 11)	147,687,769	4.73	11.01	Long position

Notes: The information was disclosed based on the data available on the website of the Hong Kong Stock Exchange (www.hkex.com.hk).

(1) Such 1,571,555,953 domestic shares belong to the same batch of shares.

(2) CNPGC is interested in 207,289,498 domestic shares directly and 1,571,555,953 domestic shares indirectly through Sinopharm Investment. As CNPGC owns 51% equity interest in Sinopharm Investment, it is deemed to be interested in the shares held by Sinopharm Investment for the purposes of the SFO.

(3) Fosun Pharma is the beneficial owner of 49% equity interest in Sinopharm Investment and, therefore, Fosun Pharma is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

(4) Fosun High Technology is the beneficial owner of 35.82% equity interest in Fosun Pharma and, therefore, Fosun High Technology is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

(5) Fosun International is the beneficial owner of 100% equity interest in Fosun High Technology and the beneficial owner of 0.22% equity interest in Fosun Pharma and, therefore, Fosun International is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

(6) Fosun Holdings is the beneficial owner of 73.53% equity interest in Fosun International and, therefore, Fosun Holdings is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

(7) Fosun International Holdings Ltd. ("**Fosun International Holdings**") is the beneficial owner of 100% equity interest in Fosun Holdings and, therefore, Fosun International Holdings is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

(8) Mr. Guo Guangchang is the beneficial owner of 85.29% equity interest in Fosun International Holdings and 0.004% equity interest in Fosun Pharma and, therefore, Mr. Guo Guangchang is deemed to be interested in the domestic shares owned by Sinopharm Investment for the purposes of the SFO.

(9) Citigroup Inc. is interested in an aggregate of long position of 113,320,842 H Shares of the Company (including 109,753,003 H Shares available for lending) and short positions of 3,417,617 H Shares of the Company.

(10) BlackRock, Inc. is interested in long positions of 105,175,062 H shares of the Company and short positions of 618,000 H shares of the Company.

(11) FMR LLC is interested in an aggregate of long positions of 147,687,769 H shares of the Company.

(12) The above-mentioned "approximate percentage to the total number of shares of the Company" is calculated based on the number of 3,120,656,191 total issued shares of the Company as at 31 December 2022. For H shares, the term of "approximate percentage to the relevant class of shares" is calculated based on the total number of 1,341,810,740 issued H shares of the Company as at 31 December 2022. For domestic shares, the term of "approximate percentage to the relevant class of shares" is calculated based on the total number of 1,778,845,451 issued domestic shares of the Company as at 31 December 2022.

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2022, no person (other than the Directors, Supervisors or the chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association and the laws of the PRC which oblige the Company to offer pre-emptive rights of new shares to existing shareholders on their shareholding proportion.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, there was sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules during the year of 2022 and as at the latest practicable date prior to the issue of this annual report.

Management Contract

There was no contract concerning the management or administration of the whole or any substantial part of the business of the Company which was entered into or existed during the Reporting Period.

Pension Scheme

During the Reporting Period, details of the pension scheme of the Group are set out in Note 37 to the Consolidated Financial Statements.

Donation

During the Reporting Period, details of the donation of the Group are set out in Note 9 to the Consolidated Financial Statements.

Environmental Policy and Performance

The Company complies with the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China and other laws and regulations. Following the principle of "synergy of anti-pollution and carbon reduction", the Company conducts environmental protection work in an orderly manner, and continuously improving the environmental management system. A series of energy-saving and environmental protection management policies, such as the Safety and Environmental Protection Management Manual and the Implementation Rules on Environmental Protection and Energy Saving and Emission Reduction Management, have been updated and revised. In addition, the Company has established an energy conservation and environmental protection leading group, headed by the chairman of the Company with the senior management serving as the vice leaders. Executives of each subsidiary are the primary personnel for environmental protection, which raise the awareness of environmental protection among the leaders of each enterprise. In order to promote the development and progress of low-carbon integration, systematism and standardization of Sinopharm Group and accelerate the green transformation for the industry development, the Company established the green and low carbon development group of Sinopharm Group to facilitate relevant work in 2022.

To ensure the effective implementation of the management systems, the Company has formulated the Supervision and Assessment Management Measures for Environmental Protection and Energy Conservation & Emission Reduction to clarify the responsibilities for energy saving and emission reduction. The performance of environmental protection has been included in the annual evaluation of the executives of the subsidiary with regular monitoring and assessment, realizing the management of the target-oriented responsibility system. In 2022, the Company has achieved its energy conservation and emission reduction indicators assigned by CNPGC at the beginning of the year through the mangment and control of energy conservation. Besides, in daily environmental management, the Company regularly conducts detection and rectification of potential environmental hazards, while establishing and improving energy conservation and emissions reduction monitoring system, so as to continuously strengthen pollution control and utility usage management.

The Company has been actively responding to the national "dual carbon" goal and continuously developing greenhouse gas emission reduction operation by promoting clean production, resource recycling and energy conservation, to avoid or reduce greenhouse gas generation at source. The Company also explores the construction of solar photovoltaic and other clean energy projects to minimize fossil fuel consumption and greenhouse gas emissions.

The Company continues to implement environmental information disclosure and has been publishing sustainability reports or social responsibility reports for years, which include detailed information on the Company's environmental management and performance. The annual sustainability report of this year will be published in April 2023.

Overdue Time Deposit

As at 31 December 2022, the Company did not have any time deposit which could not be withdrawn upon maturity.

Tax Relief and Exemption

Save as disclosed in this annual report, the Company is not aware that any holders of securities of the Company are entitled to any tax relief or exemption by reason of their holding of such securities.

Confirmation of Independence by Independent Non-executive Directors

The Company had received annual confirmation of independence from each of the independent non-executive Directors. Based on the confirmation, the Company considers that all independent non-executive Directors are independent under the Listing Rules.

Auditor

The financial statements set out in this annual report have been audited by Ernst & Young.

By Order of the Board
Sinopharm Group Co. Ltd.
Yu Qingming
Chairman

Shanghai, the PRC
24 March 2023

During the Reporting Period, all members of the supervisory committee of the Company (the "**Supervisory Committee**") have complied with the principle of integrity and earnestly performed their supervisory duties in accordance with the relevant regulations set out in the PRC Company Law, the Articles of Association and Rules of Procedures for the Supervisory Committee of the Company to protect the interests of the shareholders and the Company.

Works of the Supervisory Committee During the Reporting Period

For the year 2022, the Supervisory Committee held four meetings and the details are as follows:

On 18 March 2022, the fifth meeting of the fifth session of the Supervisory Committee was convened to consider and approve the "Report of the Supervisory Committee of 2021", "2021 Annual Results Report" and "Resolution on Determination of 2022 Remuneration of Supervisors of the Fifth Session of the Supervisory Committee at the General Meeting".

On 27 June 2022, the 2022 first extraordinary meeting of the fifth session of the Supervisory Committee was convened to listen to and consider briefings on the change of the employee representative Supervisor of the fifth session of the Supervisory Committee of the Company.

On 26 August 2022, the sixth meeting of the fifth session of the Supervisory Committee was convened to consider and approve the "Resolution on 2022 Interim Results Report of the Company".

On 5 December 2022, the 2022 second extraordinary meeting of the fifth session of the Supervisory Committee was convened to consider and approve the "Resolution on election of Mr. Wang Peng as the Supervisor of the fifth session of the Supervisory Committee of the Company", which was approved at the shareholders' general meeting on 23 December 2022.

Comments of the Supervisory Committee on Certain Matters of the Company in 2022

During the Reporting Period, the members of the Supervisory Committee adhered to the principles of fidelity and accountability to all shareholders and duly performed their duties and works according to the relevant laws and regulations. The Supervisory Committee worked actively, supervised the regulatory compliance and operation, financial condition, use of proceeds and internal control, etc. of the Company through convening meetings, attending shareholders' general meetings and board meetings as non-voting delegates and onsite inspections. The Supervisory Committee has arrived at the following opinions:

1. Regulatory compliance of the operation of the Company. During the Reporting Period, the Board earnestly exercised the rights and performed the obligations conferred by the PRC Company Law and the Articles of Association to make decisions in time on material matters including production and operation plans and development objectives, and implemented all resolutions adopted by the shareholders' general meetings and board meetings.

2. Evaluation of financial condition of the Company. During the Reporting Period, the Supervisory Committee has supervised and reviewed the financial rules and position of the Company. The Supervisory Committee is of the opinion that the financial rules of the Company was healthy and standardized and the Company was in a good financial position. The 2022 Audit Report of the Company has truly, accurately and completely reflected the financial condition, results of operation and cash flows of the Company.

3. Acquisition and disposal of assets of the Company. The acquisitions and disposals of the assets of the Company during the Reporting Period were based on fair and reasonable prices. No insider dealing or any action that may injure shareholders' interests or cause any major loss of assets of the Company has been found.

4. Connected transactions of the Company. During the Reporting Period, save as disclosed in the 2022 annual report and announcements related to the connected transactions during the Reporting Period, the connected transactions between the Company and all connected persons conformed to applicable regulations of the Hong Kong Stock Exchange. The connected transactions were based on fair and reasonable prices and were carried out in accordance with the principles of reasonableness, fairness and justice. No harm to the interests of the Company and unrelated shareholders has been found.

5. Preparation and review of annual report of the Company. The preparation and review procedures of the 2022 annual report of the Company conformed to all the relevant regulations of the Hong Kong Stock Exchange and relevant regulators. No breach of confidentiality provisions by any person involved in the preparation or review of annual report has been found.

In the coming year, the Supervisory Committee will continue to arduously perform its supervisory and monitoring duties with an aim to strengthen the overall competitiveness and sustainable profitability of the Company and to protect the interests of shareholders and the Company.

Guan Xiaohui
Chief Supervisor

Shanghai, the PRC
24 March 2023

Independent Auditor's Report

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To the shareholders of SINOPHARM GROUP CO. LTD.
(Established in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of SINOPHARM GROUP CO. LTD. (the "Company") and its subsidiaries (the "Group") set out on pages 85 to 232, 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.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill	
The carrying value of goodwill amounting to RMB7,156 million as at 31 December 2022 was allocated to the Group's cash-generating units ("CGUs") of pharmaceutical distribution, retail pharmacy, medical devices and other business segments. Under HKFRSs, the Group is required to perform an impairment test for goodwill annually. The impairment test is based on the recoverable amounts of the respective CGUs to which the goodwill is allocated. Management performed the impairment test to compare the carrying amounts of CGUs with the recoverable amounts determined based on fair value less cost or value in use based on the discounted cash flow method and also involved external experts to perform an impairment assessment on certain CGUs. Assumptions of items such as the discount rate and the long-term growth rate were made by applying estimates and significant judgements. The Group's disclosures about impairment of goodwill are included in Note 2 (2)(v) Summary of significant accounting policies, Note 4 (8) Critical accounting estimates and judgements and Note 19 Intangible assets to the consolidated financial statements, which specifically explain the key assumptions that management used in the valuation.	Our audit procedures included, among others, the following: — Assessed the competence, capabilities and objectivity of the Group's external experts and involved our internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group and external experts, in particular, the discount rate and the long-term growth rate; and — Evaluated management's forecasts used in the impairment test by comparing the forecasts with the historical performance of the respective CGUs, and the business development plan for certain selected significant CGUs. We also read and assessed the Group's disclosures of goodwill.

Key audit matters (continued)

Key audit matter (continued)	How our audit addressed the key audit matter (continued)
Impairment of trade receivables	
At as 31 December 2022, the gross carrying value of trade receivables amounted to RMB155,579million, for which a loss allowance of RMB2,994 million was recorded. Management applied judgement in assessing the expected credit losses ("ECLs"). Receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for loss allowance. ECLs are also estimated by grouping the remaining receivables based on shared credit risk characteristics and ageing of billing and are collectively assessed for the likelihood of recovery, taking into account the nature of the customers, product types, and ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the receivables. The ECL rates are determined based on historical credit loss experience and are adjusted to reflect the current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables. We focused on this area due to the magnitude of the trade receivables and the estimation and judgement involved in determining the expected credit loss allowance of the trade receivables. The Group's disclosures about loss allowance for trade receivables are included in Note 2 (12) and Note 2 (15) Summary of significant accounting policies, Note 3 (1)(iii) Credit risk management, Note 4 (4) Critical accounting estimates and judgements, and Note 29 Trade and bills receivables to the consolidated financial statements.	Our procedures in relation to management's ECL assessment on trade receivables included: — Evaluated the techniques and methodology in the ECL model against the requirements of HKFRS 9; — Evaluated management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of aging and the historical default data, evaluating whether the historical loss rates were adjusted based on the current economic conditions and forward-looking information and assessing whether there was an indication of management bias when recognising loss allowances; and — Inquired management regarding the status of each of the material trade receivables with long ageing as at the year end and evaluated management's assessment of collectability by performing public search of credit profile of selected customers, obtaining an understanding of on-going business relationship with the customers based on trade records, and checking historical and subsequent settlement records and other correspondence with the customers. We also read and assessed the relevant disclosures made in the consolidated financial statements, including disclosures of the basis for the estimation of impairment of trade receivables.

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.

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.

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 WU Hsu Lung.

Ernst & Young
Certified Public Accountants
Hong Kong
24 March 2023

Consolidated Statement of Profit or Loss

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	6	552,147,550	521,051,235
Cost of sales	10	(504,713,490)	(477,000,627)
Gross profit		47,434,060	44,050,608
Other income	7	676,163	589,193
Selling and distribution expenses	10	(16,719,561)	(15,437,533)
Administrative expenses	10	(8,183,559)	(7,760,993)
Impairment losses on financial and contract assets	8	(666,467)	(598,478)
Losses on derecognition of financial assets measured at amortised cost		(1,936,170)	(1,130,821)
Operating profit		20,604,466	19,711,976
Other gains – net	9	122,198	218,420
Other expenses	9	(39,920)	(594,233)
Finance income		542,767	558,562
Finance costs		(3,732,759)	(3,961,431)
Finance costs – net	12	(3,189,992)	(3,402,869)
Share of profits and losses of:			
Associates	21	1,064,155	1,069,173
Joint ventures		2,912	695
		1,067,067	1,069,868
Profit before tax		18,563,819	17,003,162
Income tax expense	13	(4,218,377)	(3,938,389)
Profit for the year		14,345,442	13,064,773
Attributable to:			
Owners of the parent		8,525,655	7,758,646
Non-controlling interests		5,819,787	5,306,127
		14,345,442	13,064,773
Earnings per share attributable to ordinary equity holders of the parent (expressed in RMB per share)			
– Basic and diluted	14	2.73	2.49

Consolidated Statement of Comprehensive Income

Year ended
31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Profit for the year		**14,345,442**	13,064,773
Other comprehensive income/(loss):			
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Remeasurements of post-employment benefit obligations	13	**(10,478)**	(8,943)
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		**(13,694)**	(4,994)
Income tax effect		**3,388**	1,248
Fair value changes on financial asset, net of tax	13	**(10,306)**	(3,746)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		**(20,784)**	(12,689)
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**11,513**	3,049
Share of other comprehensive income/(loss) of associates		**3,226**	(2,061)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**14,739**	988
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(6,045)**	(11,701)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**14,339,397**	13,053,072
Attributable to:			
Owners of the parent		**8,524,434**	7,750,366
Non-controlling interests		**5,814,963**	5,302,706
		14,339,397	13,053,072

Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Right-of-use assets	16	7,030,398	6,983,410
Investment properties	17	538,338	588,366
Property, plant and equipment	18	12,616,766	12,424,342
Intangible assets	19	10,170,919	10,391,727
Investment in joint ventures		20,233	27,002
Investment in associates	21	8,967,418	8,387,677
Equity investments designated at fair value through other comprehensive income	22	57,381	81,045
Financial assets at fair value through profit or loss	23	795,428	688,555
Finance lease receivables	24	5,862	11,816
Deferred tax assets	26	1,979,743	1,787,093
Other non-current assets	27	3,186,266	3,119,147
Total non-current assets		45,368,752	44,490,180
Current assets			
Inventories	28	60,925,831	51,499,625
Trade and bills receivables	29	169,753,132	171,389,603
Contract assets	30	1,447,162	1,184,017
Prepayments, other receivables and other assets	31	20,016,358	13,611,275
Financial assets at fair value through profit or loss	23	498	11,749
Finance lease receivables	24	3,778	1,915
Pledged deposits and restricted cash	32	12,037,999	9,694,529
Cash and cash equivalents	32	55,221,624	43,529,428
Total current assets		319,406,382	290,922,141
Total assets		364,775,134	335,412,321

Consolidated Statement of Financial Position

31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	39	3,120,656	3,120,656
Treasury shares held for share incentive scheme		(3,838)	(3,838)
Reserves	40	64,951,741	58,769,197
		68,068,559	61,886,015
Non-controlling interests		42,000,631	37,767,920
Total equity		110,069,190	99,653,935
LIABILITIES			
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	33	11,750,433	8,418,680
Lease liabilities	16	3,206,560	3,249,870
Deferred tax liabilities	26	936,744	1,022,792
Post-employment benefit obligations	37	380,713	387,697
Contract liabilities	35	96,418	56,750
Other non-current liabilities	38	3,372,119	3,316,048
Total non-current liabilities		19,742,987	16,451,837

	Notes	2022 RMB'000	2021 RMB'000
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	33	**52,997,246**	55,151,650
Lease liabilities	16	**1,635,947**	1,548,046
Trade and bills payables	34	**137,085,061**	128,431,227
Contract liabilities	35	**10,396,326**	6,085,953
Accruals and other payables	36	**30,889,733**	26,229,755
Dividends payable		**255,386**	246,214
Tax payable		**1,703,258**	1,613,704
Total current liabilities		**234,962,957**	219,306,549
TOTAL LIABILITIES		**254,705,944**	235,758,386
TOTAL EQUITY AND LIABILITIES		**364,775,134**	335,412,321

The financial statements were approved by the Board of Directors on 24 March 2023 and were signed on its behalf by:

Yu Qingming
Director

Wu Tak Lung
Director

Consolidated Statement of Changes in Equity

31 December 2022

	Notes	Attributable to owners of the parent					
		Share capital RMB'000 (Note 39)	Treasury shares held for share incentive scheme RMB'000	Reserves RMB'000 (Note 40)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022		3,120,656	(3,838)	58,769,197	61,886,015	37,767,920	99,653,935
Total comprehensive income for the year		–	–	8,524,434	8,524,434	5,814,963	14,339,397
Effect of transactions with non-controlling interests	44(c)	–	–	(1,738)	(1,738)	(29,992)	(31,730)
Capital injection from non-controlling shareholders of subsidiaries		–	–	–	–	217,810	217,810
Disposal of subsidiaries	43	–	–	–	–	(64,499)	(64,499)
Dividends paid to non-controlling interests		–	–	–	–	(1,676,941)	(1,676,941)
Dividend declared		–	–	(2,340,492)	(2,340,492)	–	(2,340,492)
Share of changes in equity other than comprehensive income/(loss) and distributions received from associates		–	–	(8,803)	(8,803)	(5,816)	(14,619)
Others		–	–	9,143	9,143	(22,814)	(13,671)
At 31 December 2022		3,120,656	(3,838)	64,951,741	68,068,559	42,000,631	110,069,190

	Attributable to owners of the parent					
	Share capital RMB'000 (Note 39)	Treasury shares held for share incentive scheme RMB'000	Reserves RMB'000 (Note 40)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	3,120,656	(3,838)	53,242,027	56,358,845	33,588,476	89,947,321
Total comprehensive income for the year	–	–	7,750,366	7,750,366	5,302,706	13,053,072
Effect of transactions with non-controlling interests	–	–	(96,048)	(96,048)	(47,778)	(143,826)
Capital injection from non-controlling shareholders of subsidiaries	–	–	–	–	508,151	508,151
Acquisition of subsidiaries	–	–	–	–	156,221	156,221
Disposal of subsidiaries	–	–	–	–	(5,098)	(5,098)
Dividends paid to non-controlling interests	–	–	–	–	(1,732,271)	(1,732,271)
Dividend declared	–	–	(2,153,253)	(2,153,253)	–	(2,153,253)
Share of changes in equity other than comprehensive income/(loss) and distributions received from associates	–	–	19,304	19,304	(308)	18,996
Share of changes in equity other than comprehensive income and distributions received from joint ventures	–	–	862	862	–	862
Others	–	–	5,939	5,939	(2,179)	3,760
At 31 December 2021	3,120,656	(3,838)	58,769,197	61,886,015	37,767,920	99,653,935

Consolidated Statement of Cash Flows

Year ended
31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Cash flows from operating activities:			
Cash generated from operations	41(a)	25,362,875	13,382,206
Income tax paid		(4,399,088)	(4,074,121)
Net cash generated from operating activities		20,963,787	9,308,085
Cash flows from investing activities:			
Proceeds from disposal of intangible assets		4,330	5,828
Proceeds from disposal of right-of-use assets		248	32,004
Proceeds from disposal of property, plant and equipment		172,341	134,010
Proceeds from disposal of investment properties		630	1,135
Proceeds from disposal of financial assets at fair value through profit or loss		17,563	64,108
Proceeds from disposal of an associate		36,082	12,380
Interest received from long-term deposits		74,558	84,712
Disposal of subsidiaries, net of cash disposed of	43	81,176	6,122
Dividends received from associates		542,295	393,756
Dividends received from joint ventures		9,747	10,236
Dividends received from financial assets at fair value through profit or loss		12,516	31,038
Dividends received from financial assets at fair value through other comprehensive income		535	947
Prepayments of right-of-use assets		(97,315)	(22,840)
Purchase of property, plant and equipment		(2,127,139)	(2,073,911)
Purchase of intangible assets		(193,075)	(158,891)
Withdrawal of long-term deposits		193,967	234,519
Acquisition of financial assets at fair value through profit or loss		(100,000)	(75,000)
Acquisition of subsidiaries, net of cash acquired	45	(9,169)	(89,803)
Consideration paid for prior year acquisition of subsidiaries		(439,982)	(407,415)
Acquisition of associates and joint ventures		(4,816)	(9,640)
(Increase)/decrease in restricted cash	32	(1,764,114)	559,743
Net cash flows used in investing activities		(3,589,622)	(1,266,962)

	Notes	2022 RMB'000	2021 RMB'000
Cash flows from financing activities:			
Proceeds from borrowings from banks		76,925,976	60,864,878
Proceeds from borrowings from related parties		75,011	4,364,382
Proceeds from borrowings from other financial institutions		12,160,364	13,692,470
Repayments of borrowings from banks		(67,279,027)	(70,155,761)
Repayments of borrowings from related parties		(4,498,742)	(18,571)
Repayments of borrowings from other financial institutions		(12,924,566)	(10,692,762)
Repayments of bonds		(17,003,000)	(23,840,010)
Proceeds from issuance of bonds		17,289,549	21,000,000
Capital injections from non-controlling shareholders of subsidiaries		217,810	508,151
Dividends paid to owners of the parent of the Company		(2,340,492)	(2,153,253)
Dividends paid to non-controlling shareholders of subsidiaries		(1,667,769)	(1,702,948)
Transactions with non-controlling interests of subsidiaries		(45,881)	(227,275)
Interest paid		(4,777,933)	(4,575,123)
Principal portion of lease payments		(1,824,781)	(1,757,185)
Net cash used in financing activities		(5,693,481)	(14,693,007)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		11,680,684	(6,651,884)
Cash and cash equivalents at the beginning of year	32	43,529,428	50,178,265
Effect of foreign exchange rate changes, net		11,512	3,047
Cash and cash equivalents at the end of year	32	55,221,624	43,529,428

1. General information

SINOPHARM GROUP CO. LTD. (the "**Company**") was established in the People's Republic of China (the "**PRC**") on 8 January 2003 as a company with limited liability under the PRC Company Law.

On 6 October 2008, the Company was converted into a joint stock limited liability company under the PRC Company Law by converting its registered share capital and reserves as at 30 September 2007 with the proportion of 1: 0.8699 into 1,637,037,451 shares of RMB1 each. In September 2009, the Company issued overseas-listed foreign-invested shares ("**H Shares**"), which were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**") on 23 September 2009. The Company issued 204,561,102 domestic shares to China National Pharmaceutical Group Co., Ltd. ("**CNPGC**") under general mandate at the issue price of RMB24.97 per consideration share on 13 December 2018. On 23 January 2020, the Company placed and issued 149,000,000 new H shares at the price of HKD27.30 per H share. The actual net proceeds of the placing were HKD4,026,710,000, equivalent to RMB3,567,383,000.

The address of the Company's registered office is 1st Floor, No.385 East Longhua Road, Huangpu District, Shanghai, the PRC.

The Company and its subsidiaries (together, the "**Group**") are mainly engaged in: (1) the distribution of pharmaceutical products to hospitals, other distributors, retail pharmacy stores and clinics, (2) the distribution of medical devices, (3) the operation of chain pharmacy stores, and (4) the distribution of laboratory supplies, manufacture and distribution of chemical reagents, and production and sale of pharmaceutical products.

The ultimate holding company of the Company is **CNPGC**, which was established in the PRC.

These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand, unless otherwise stated. These financial statements were approved for issue by the Board of Directors on 24 March 2023.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(1) Basis of preparation

The 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 HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value.

2. Summary of significant accounting policies (continued)

(1) Basis of preparation (continued)

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(i) Revised HKFRSs adopted by the Group

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 the impact of the revised HKFRSs 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.

2. Summary of significant accounting policies (continued)

(1) Basis of preparation (continued)

(i) Revised HKFRSs adopted by the Group (continued)

(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.

(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 is 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. Summary of significant accounting policies (continued)

(1) Basis of preparation (continued)

(ii) Issued but not yet effective HKFRSs

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* (the "2020 Amendments")[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

2. Summary of significant accounting policies (continued)

(1) Basis of preparation (continued)

(ii) Issued but not yet effective HKFRSs (continued)

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.

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.

2. Summary of significant accounting policies (continued)

(1) Basis of preparation (continued)

(ii) Issued but not yet effective HKFRSs (continued)

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.

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. Summary of significant accounting policies (continued)

(2) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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.

Basis of consolidation

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.

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.

2. Summary of significant accounting policies (continued)

(2) Subsidiaries (continued)

Basis of consolidation (continued)

(i) Business combinations not under common control

The Group applies the acquisition method of accounting to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

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.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquire over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of the consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

2. Summary of significant accounting policies (continued)

(2) Subsidiaries (continued)

Basis of consolidation (continued)

(ii) Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter year, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous financial year end or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using the merger accounting are recognised as expenses in the year in which they are incurred.

(iii) Changes in ownership interests in subsidiaries without loss of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2. Summary of significant accounting policies (continued)

(2) Subsidiaries (continued)

Basis of consolidation (continued)

(iv) Disposal of subsidiaries

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 earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

(v) Goodwill

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 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. Summary of significant accounting policies (continued)

(2) Subsidiaries (continued)

Basis of consolidation (continued)

(vi) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(3) 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.

2. Summary of significant accounting policies (continued)

(3) Investments in associates and joint ventures (continued)

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*.

(4) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the operating committee (comprising the CEO and the CEO office) that makes strategic decisions.

(5) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in RMB, which is the Company's functional currency and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the respective functional currencies using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from settlement of such transactions and from translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

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).

2. Summary of significant accounting policies (continued)

(5) Foreign currency translation (continued)

(ii) Transactions and balances (continued)

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.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of financial year end;

(b) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from translation of net investments in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income.

(6) Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the statement of profit or loss during the year in which they are incurred.

2. Summary of significant accounting policies (continued)

(6) Property, plant and equipment (continued)

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives as follows:

Buildings	8-45 years
Plant and machinery	5-15 years
Furniture, fittings and equipment	3-15 years
Motor vehicles	3-10 years

Construction in progress represents buildings, plant and machinery under construction or pending installation and is stated at cost. Cost includes the costs of construction of buildings and costs of plant and machinery. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other gains – net, in the consolidated statement of profit or loss.

When an item of property, plant and equipment is classified as held for sale or when it is part of any classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets held for sale".

(7) Investment property

Investment property is defined as property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business.

The land component of leasehold investment property is accounted for as a right-of-use asset.

2. Summary of significant accounting policies (continued)

(7) Investment property (continued)

The building component of investment properties is initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (if any). Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of 25 to 50 years.

The residual values and useful lives of investment properties are reviewed, and adjusted as appropriate, at each financial year end. The effects of any revision are included in the statement of profit or loss when the changes arise.

(8) Non-current assets held for sale

Non-current assets 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 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 and its sale must be highly probable

Non-current 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.

(9) Intangible assets other than goodwill

(i) Sales network

Sales network represents customer relationship and distribution channels acquired in business combinations, which are recognised at fair value at the acquisition date and are amortised using the straight-line method over their estimated useful lives of 3 to 20 years.

(ii) Trademarks and patent rights

Separately acquired trademarks are shown at historical cost. Trademarks acquired in business combinations are recognised at fair value at the acquisition date. Trademarks with a finite useful life are amortised using the straight-line method over their estimated useful lives of 5 to 20 years. Trademarks with an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Patent rights are initially recorded at cost and are amortised using the straight-line method over the estimated useful lives of 5 to 15 years.

2. Summary of significant accounting policies (continued)

(9) Intangible assets other than goodwill (continued)

(iii) Exclusive distribution rights

Exclusive distribution rights are measured initially at cost and amortised using the straight-line method over their useful life of 10 years according to the contracts.

(iv) Favourable leasing rights

Favourable leasing rights acquired in business combinations are recognised at fair value at the acquisition date and are amortised using the straight-line method over 17 to 20 years.

(v) Software

Acquired software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 10 years.

(vi) Internally generated product development cost

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset upon the completion of the project.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the product development phase is recognised as intangible asset only if all of the following conditions are satisfied:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset, and use or sell it;
- there is an ability to use or sell the product development result;
- it can be demonstrated how the intangible asset will generate economic benefits;
- adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

2. Summary of significant accounting policies (continued)

(9) Intangible assets other than goodwill (continued)

(vi) Internally generated product development cost (continued)

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as intangible asset in the statement of financial position.

Internally generated product development costs recognised as assets are amortised over their estimated useful lives of 3 to 5 years.

The assets' useful lives are reviewed, and adjusted if appropriate, at each financial year end.

(10) 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.

(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. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. 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.

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.

2. Summary of significant accounting policies (continued)

(10) Leases (continued)

Group as a lessee (continued)

(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 that is considered to be of low value.

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.

2. Summary of significant accounting policies (continued)

(10) Leases (continued)

Group as a lessor (continued)

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. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

(11) Fair value measurement

The Group measures its equity investments and debt investments 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

2. Summary of significant accounting policies (continued)

(11) Fair value measurement (continued)

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.

(12) Impairment of non-financial assets

Assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). 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. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(13) 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 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.

2. Summary of significant accounting policies (continued)

(13) Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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.

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.

2. Summary of significant accounting policies (continued)

(13) Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets designated at fair value through other comprehensive income (equity investments) (continued)

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 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.

(14) Derecognition of financial assets

A financial asset 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.

2. Summary of significant accounting policies (continued)

(15) 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).

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 30 days past due.

The Group considers 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. 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.

2. Summary of significant accounting policies (continued)

(15) Impairment of financial assets (continued)

General approach (continued)

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 hat 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

Simplified approach

For trade receivables, commercial acceptance and contract assets 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 receivables, commercial acceptance and contract assets 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.

(16) 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 and payables.

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 payables, other payables and interest-bearing bank borrowings.

2. Summary of significant accounting policies (continued)

(16) Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, bank loans 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 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 profit or loss.

(17) 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.

(18) 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.

(19) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2. Summary of significant accounting policies (continued)

(20) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks and other financial institutions, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and separate statement of financial positions, bank overdrafts are shown within borrowings in current liabilities.

(21) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(22) 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.

(23) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. 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.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the financial year end.

(24) Borrowing costs

General and specific borrowing costs directly attributable to construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as 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 eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. Summary of significant accounting policies (continued)

(25) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates and joint ventures, except an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2. Summary of significant accounting policies (continued)

(25) Current and deferred income tax (continued)

(iii) Offsetting

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.

(26) Other employee benefits

Pension scheme

The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to make contributions of 12% to 20% (2021: 12% to 20%) of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group did not have any forfeited contribution for reporting period in connection with the defined contribution plan operated by local governments.

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.

Defined benefit plan

The Group operates a defined benefit pension plan which requires contributions to be made to a separately administered fund. The benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

2. Summary of significant accounting policies (continued)

(26) Other employee benefits (continued)

Defined benefit plan (continued)

Remeasurements arising from defined benefit pension plans, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and

- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "cost of sales" and "administrative expenses" in the consolidated statement of profit or loss by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements

- net interest expense or income

(27) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2. Summary of significant accounting policies (continued)

(28) 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.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

Some contracts for the sale of goods provide customers with rights of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

Installation and maintenance services

The Group provides installation and maintenance services that are either sold separately or bundled together with the sale of goods to a customer. The installation services can be obtained from other providers and do not significantly customise or modify the products.

Revenue from installation and maintenance services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

2. Summary of significant accounting policies (continued)

(28) Revenue recognition (continued)

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.

(29) 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.

(30) Contract liabilities

A contract liability is recognised when a payment is received or 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).

(31) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of profit or loss over the year necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the statement of profit or loss on a straight-line basis over the expected lives of the related assets.

2. Summary of significant accounting policies (continued)

(32) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

(33) 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; and the sponsoring employers of the post-employment benefit plan;
  (vi) the entity is controlled or jointly controlled by a person identified in (a);
  (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.

3. Financial risk management

(1) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and fair value and cash flow interest rate risk), credit risk and liquidity risk.

The Group's risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group has not used derivative financial instruments to hedge its risk exposures on changes in foreign currency exchange rates and interest rates.

(i) Foreign currency risk

The Group mainly operates in the PRC with most of the Group's transactions denominated and settled in RMB. However, the Group has certain cash and cash equivalents, borrowings from banks and other financial institutions and trade payables denominated in foreign currencies, mainly United States Dollars ("USD"), Hong Kong Dollars ("HKD") and Euro ("EUR"), which are exposed to foreign currency translation risk. The Group has not hedged its foreign currency risk.

As at 31 December 2022, if RMB had strengthened/weakened by 10% against USD, HKD and EUR with all other variables held constant, the impact on post-tax profit for the year ended 31 December 2022 would have been immaterial.

(ii) Fair value and cash flow interest rate risk

Except for deposits in banks or other financial institutions which earn interest at floating rates, the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

As at 31 December 2022, if interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, the post-tax profit for the year ended 31 December 2022 would have been RMB179,076,000 (2021: RMB180,363,000) lower/higher, mainly as a result of higher/lower interest expense on borrowings.

3. Financial risk management (continued)

(1) Financial risk factors (continued)

(iii) Credit risk

The carrying amounts of pledged bank deposits, cash and cash equivalents, trade and other receivables included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group trades only with 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.

For the financial assets measured at amortised cost included in trade and commercial acceptance to which the Group applies the simplified approach for impairment, information based on the provision matrix is set as below.

As at 31 December 2022

	Expected credit loss rate	Gross carrying amount (RMB'000)	Expected credit losses (RMB'000)
Provision on individual basis		9,137,179	571,123
Provision on collective basis - Ageing			
Within 1 year	1%	146,901,028	1,525,200
1 to 2 years	10%	4,428,348	442,835
2 to 3 years	30%	641,862	192,558
3 to 4 years	50%	365,489	182,745
4 to 5 years	80%	72,214	57,771
Over 5 years	100%	101,768	101,768
		161,647,888	3,074,000

3. Financial risk management (continued)

(1) Financial risk factors (continued)

(iii) Credit risk (continued)

As at 31 December 2021

	Expected credit loss rate	Gross carrying amount (RMB'000)	Expected credit losses (RMB'000)
Provision on individual basis		7,315,647	461,701
Provision on collective basis - Ageing			
Within 1 year	1%	154,838,976	1,589,856
1 to 2 years	10%	2,465,447	246,545
2 to 3 years	30%	680,897	204,269
3 to 4 years	50%	134,876	67,438
4 to 5 years	80%	51,698	41,358
Over 5 years	100%	84,735	84,735
		165,572,276	2,695,902

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases.

For contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is set as below.

As at 31 December 2022

Expected credit loss rate	5.77%
	RMB'000
Gross carrying amount	1,535,760
Expected credit losses	88,598

As at 31 December 2021

Expected credit loss rate	4.10%
	RMB'000
Gross carrying amount	1,234,634
Expected credit losses	50,617

3. Financial risk management (continued)

(1) Financial risk factors (continued)

(iii) Credit risk (continued)

For the financial assets included in other receivables to which the Group applies the general approach for impairment, information based on the provision matrix is set as below.

As at 31 December 2022

	12-month ECLs	Lifetime ECLs	
	Stage 1	Stage 2	Stage 3
Financial assets included in other receivables	**2,622,895**	**4,330,110**	**–**

As at 31 December 2021

	12-month ECLs	Lifetime ECLs	
	Stage 1	Stage 2	Stage 3
Financial assets included in other receivables	2,268,669	3,237,236	–

The Group has policy in place to ensure credit sales are made to customers with an appropriate credit history. Credit terms are approved after credit evaluations/reviews. The majority of trade receivables are with customers having an appropriate credit history.

The Group has policies to place its cash and cash equivalents only with major financial institutions and other financial institutions controlled by CNPGC. As at 31 December 2022, most of the restricted bank deposits and cash and cash equivalents were deposited with major financial institutions in Mainland China and Hong Kong except the deposit placed in a related party as disclosed in Note 46.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities, and discounting of bank acceptance notes to banks or other financial institutions. The Group's objective is to maintain adequate committed credit lines to ensure sufficient and flexible funding is available to the Group.

3. Financial risk management (continued)

(1) Financial risk factors (continued)

(iv) Liquidity risk (continued)

At the reporting date, the Group held cash and cash equivalents of RMB55,221,624,000 (2021: RMB43,529,428,000) and trade and bills receivables of RMB169,753,132,000 (2021: RMB171,389,603,000) that are expected to readily generate cash inflows for managing liquidity risk. The Group also has agreed to receive bank acceptance notes from certain customers with long-term business trading history and most of these notes are guaranteed by major banks in Mainland China. The maturity of these bank acceptance notes ranges from 3 to 6 months. To maintain flexibility in the Group's funding requirements, a major portion of these bank acceptance notes are discounted to banks or other financial institutions with effective interest rates ranging from 1.07% to 5.50% per annum.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Less than 1 year RMB'000	1 and 2 years RMB'000	2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2022					
Interest-bearing bank and other borrowings	**53,184,801**	**11,187,533**	**654,766**	**–**	**65,027,100**
Trade and other payables	**163,362,796**	**–**	**–**	**–**	**163,362,796**
Dividends payable	**255,386**	**–**	**–**	**–**	**255,386**
Lease liabilities	**1,635,947**	**1,476,136**	**1,838,721**	**689,647**	**5,640,451**
Other non-current liabilities	**–**	**50,260**	**–**	**–**	**50,260**
	218,438,930	**12,713,929**	**2,493,487**	**689,647**	**234,335,993**
As at 31 December 2021					
Interest-bearing bank and other borrowings	55,816,676	4,517,324	4,186,310	–	64,520,310
Trade and other payables	150,715,716	–	–	–	150,715,716
Dividends payable	246,214	–	–	–	246,214
Lease liabilities	1,548,046	1,510,956	1,907,523	613,754	5,580,279
Other non-current liabilities	–	174,150	–	–	174,150
	208,326,652	6,202,430	6,093,833	613,754	221,236,669

Note: The calculation of expected interest to be paid is based on borrowings as at 31 December 2022 and 2021 and the interest rates as at 31 December 2022 and 2021.

3. Financial risk management (continued)

(2) Capital risk management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated based on the total liabilities divided by the total assets.

The gearing ratios are as follows:

	2022 RMB'000	2021 RMB'000
Total liabilities	254,705,944	235,758,386
Total assets	364,775,134	335,412,321
Gearing ratio	69.83%	70.29%

(3) Fair value estimation

The table below shows the analysis of financial instruments carried at fair value by the valuation method. The different levels have been defined as follows:

- Quoted prices unadjusted in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

3. Financial risk management (continued)

(3) Fair value estimation (continued)

The table below presents the Group's financial instruments that are measured at fair value at 31 December 2022 and 2021.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2022				
Equity investments designated at fair value through other comprehensive income	**35,232**	**1,263**	**20,886**	**57,381**
Financial assets at fair value through profit or loss	**498**	**3,700**	**791,728**	**795,926**
Bills receivable held both to collect cash flows and to sell	**–**	**11,179,244**	**–**	**11,179,244**
	35,730	**11,184,207**	**812,614**	**12,032,551**
At 31 December 2021				
Equity investments designated at fair value through other comprehensive income	36,245	13,340	31,460	81,045
Financial assets at fair value through profit or loss	349	3,700	696,255	700,304
Bills receivable held both to collect cash flows and to sell	–	8,513,229	–	8,513,229
	36,594	8,530,269	727,715	9,294,578

(i) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

3. Financial risk management (continued)

(3) Fair value estimation (continued)

(ii) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all inputs that are significant to fair value measurement are observable, these instruments are included in Level 2.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- The fair value of interest rate swap that is calculated as the present value of the estimated future cash flows based on observable yield curves.

- The fair value of forward foreign exchange contract that is determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to the present value.

- Other techniques, such as a discounted cash flow analysis, used to determine fair value for the remaining financial instruments.

During the year, there were no transfers of financial assets between Level 1 and Level 2.

(iii) Financial instruments in Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The investments in Level 3 included unlisted equity investments and asset-backed securities.

As at 31 December 2022, the Group recognised unlisted equity investments of RMB812,614,000 in level 3 as these investments and instruments are not traded in an active market, and the majority of their fair values have been determined using applicable valuation techniques including comparable transactions approach and other option pricing approach. These valuation approaches require significant judgment, assumptions and inputs, including risk-free rates, expected volatility, relevant underlying financial projections, and market information of recent transactions (such as recent fund-raising transactions undertaken by the investees) and other exposure.

3. Financial risk management (continued)

(3) Fair value estimation (continued)

(iii) Financial instruments in Level 3 (continued)

The recurring fair value measurement for the Group's financial assets at fair value through profit or loss was performed using significant unobservable inputs (Level 3) as at 31 December 2022. Set out below is a summary of the valuation techniques used and the key inputs to the valuation:

	Valuation technique	Significant unobservable input	Sensitivity of fair value to the input
Unlisted equity investments, at fair value	Valuation multiples	Average P/B multiple of peers	5% increase/decrease would result in increase/decrease in fair value by 5%
Asset-backed securities, at fair value	Discounted cash flow method	Discount rate per annum	5% increase/decrease would result in increase/decrease in fair value by 0.6%
Investments in funds, at fair value	Valuation multiples	Average P/B multiple of peers	5% increase/decrease would result in increase/decrease in fair value by 5%
Bills receivable held both to collect cash flows and to sell	Discounted cash flow method	Discount rate per annum	5% increase/decrease would result in increase/decrease in fair value by 0.9%

(4) Fair value of financial assets and liabilities measured at amortised cost

The carrying amounts and fair values of the Group's financial instruments measured at amortised cost, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amount		Fair value	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Borrowings from banks and other financial institutions	7,752,736	1,723,560	7,786,796	1,718,230
Bonds	3,997,697	6,695,120	3,997,697	6,695,120

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 interest-bearing bank and other borrowings as at 31 December 2022 were assessed to be insignificant.

4. Critical accounting estimates and judgements

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, 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.

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.

(1) Useful lives and residual values of property, plant and equipment

The Group determines the estimated useful lives and residual values and consequently the 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. Management will increase the depreciation charge where the actual useful lives are less than the previously estimated lives, it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future years.

(2) Useful lives of sales network, trademarks, patent rights and software

The Group determines the estimated useful lives and consequently the related amortisation charges for its sales network, trademarks, patent rights and software. These estimates are based on the historical experience of the actual useful lives of sales network, trademarks, patent rights and software of similar nature and functions and considering the current market environment in the PRC and estimations of future changes. Management will increase the amortisation charges where useful lives are less than previously estimated lives, it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortisation expenses in future years.

4. Critical accounting estimates and judgements (continued)

Estimation uncertainty (continued)

(3) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or market valuations. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continuous use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rates assumptions in the cash flow projections, could materially affect the net present value in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated statement of profit or loss.

(4) Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on ageing for groupings of various customer segments that have similar loss patterns.

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 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.

4. Critical accounting estimates and judgements (continued)

Estimation uncertainty (continued)

(5) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of technical innovations, changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each financial year end.

(6) Income taxes and deferred income tax

The Group is subject to income taxes in Mainland China and Hong Kong. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the year in which such estimates are changed.

(7) Post-employment benefit obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Discount rate is one of the assumptions used in determining the net cost (income) for pensions. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of PRC government bonds that are denominated in RMB (the currency in which the benefits will be paid), and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are partially based on current market conditions.

4. Critical accounting estimates and judgements (continued)

Estimation uncertainty (continued)

(8) Impairment of goodwill and trademarks with an indefinite useful life

The Group determines whether goodwill and trademarks with an indefinite useful life is impaired at least on an annual basis. This requires an estimation of the assets' recoverable amount, which is the higher of its value in use and fair value less costs of disposal. Estimating the value in use or fair value less cost of disposal 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. These calculations require the use of estimates (Note 19).

(9) Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in Note 3 (3) 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 2 and Level 3. The fair value of the unlisted equity investments at 31 December 2022 was RMB817,576,466 (2021: RMB733,355,055). Further details are included in Note 22 and Note 23 to the financial statements.

(10) 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).

5. Segment information

Management has determined the operating segments based on the reports reviewed by the operating committee (comprising the CEO and the executives at the CEO office) that are used to make strategic decisions. The operating committee considers the business from a business type perspective. The reportable operating segments derive their revenue primarily from the following four business types in the PRC:

(i) Pharmaceutical distribution – distribution of pharmaceutical products to hospitals, other distributors, retail pharmacy stores and clinics;

5. Segment information (continued)

(ii) Medical device – distribution of medical devices, and installation and maintenance services;

(iii) Retail pharmacy – operation of chain pharmacy stores;

(iv) Other business – distribution of laboratory supplies, manufacture and distribution of chemical reagents, production and sale of pharmaceutical products.

Although the retail pharmacy segment does not meet the quantitative thresholds required by HKFRS 8 *Operating Segments*, management has concluded that this segment should be reported, as it is closely monitored by the operating committee as a potential growth segment and is expected to materially contribute to group revenue in the future.

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment assets consist primarily of right-of-use assets, investment properties, property, plant and equipment, intangible assets, investments in associates and joint ventures, inventories, receivables and operating cash.

Segment liabilities are those operating liabilities that result from the operating activities of a segment. Segment liabilities do not include borrowings, deferred tax liabilities and other liabilities that are incurred for financing rather than operating purposes.

Unallocated assets mainly represent deferred tax assets. Unallocated liabilities mainly represent corporate borrowings and deferred tax liabilities.

Capital expenditure comprises mainly additions to right-of-use assets, investment properties, property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

Inter-segment revenues are conducted at prices and on terms mutually agreed upon amongst those business segments. The revenue from external parties reported to the operating committee is measured in a manner consistent with that in the consolidated statement of profit or loss.

5. Segment information (continued)

Segment revenue and results

(i) For the years ended 31 December 2022 and 2021

	Pharmaceutical distribution RMB'000	Medical devices RMB'000	Retail pharmacy RMB'000	Other business RMB'000	Eliminations RMB'000	Group RMB'000
Year ended 31 December 2022						
Segment results						
External segment revenue	391,779,322	119,606,321	32,402,986	8,358,921	-	552,147,550
Inter-segment revenue	14,824,211	1,245,158	576,350	1,850,203	(18,495,922)	-
Revenue	406,603,533	120,851,479	32,979,336	10,209,124	(18,495,922)	552,147,550
Operating profit	12,937,862	5,082,860	816,622	1,783,247	(16,125)	20,604,466
Other gains, net	113,681	3,087	(342)	5,772	-	122,198
Other expenses	(6,527)	5,558	-	(38,951)	-	(39,920)
Share of profits and losses of associates and joint ventures	28,313	(5,191)	2,058	1,041,887	-	1,067,067
	13,073,329	5,086,314	818,338	2,791,955	(16,125)	21,753,811
Finance costs, net						(3,189,992)
Profit before tax						18,563,819
Income tax expense						(4,218,377)
Profit for the year						14,345,442
Other segment items included in the statement of profit or loss						
Provision for impairment of financial and contract assets	321,484	302,844	41,144	995	-	666,467
Provision/(reversal of provision) for prepayment	(11,463)	(4,388)	14	(29)	-	(15,866)
Provision for impairment of inventories	5,773	5,432	9,971	232	-	21,408
Provision for impairment of property, plant and equipment	2,019	-	-	-	-	2,019
Provision for impairment of intangible assets	40,270	99	15,417	-	-	55,786
Depreciation of property, plant and equipment	1,154,290	316,839	241,979	31,290	-	1,744,398
Depreciation of investment properties	14,717	22,211	1,158	2,658	-	40,744
Depreciation of right-of-use assets	683,890	282,504	967,361	55,461	-	1,989,216
Amortisation of intangible assets	343,194	-	47,324	143	-	390,661
Capital expenditures	1,452,420	667,084	255,812	107,119	-	2,482,435

5. Segment information (continued)

Segment revenue and results (continued)

(i) For the years ended 31 December 2022 and 2021 (continued)

	Pharmaceutical distribution RMB'000	Medical devices RMB'000	Retail pharmacy RMB'000	Other business RMB'000	Eliminations RMB'000	Group RMB'000
Year ended 31 December 2021						
Segment results						
External segment revenue	377,100,149	107,412,327	28,574,252	7,964,507	–	521,051,235
Inter-segment revenue	12,854,640	716,881	484,998	1,856,460	(15,912,979)	–
Revenue	389,954,789	108,129,208	29,059,250	9,820,967	(15,912,979)	521,051,235
Operating profit	13,799,603	4,477,708	610,724	1,195,213	(371,272)	19,711,976
Other gains, net	190,105	7,718	12,748	7,849	–	218,420
Other expenses	(305,736)	(125,778)	–	(162,719)	–	(594,233)
Share of profits and losses of associates and joint ventures	24,997	(12,530)	1,976	1,055,425	–	1,069,868
	13,708,969	4,347,118	625,448	2,095,768	(371,272)	20,406,031
Finance costs, net						(3,402,869)
Profit before tax						17,003,162
Income tax expense						(3,938,389)
Profit for the year						13,064,773
Other segment items included in the statement of profit or loss						
Provision/(reversal of provision) for impairment of financial and contract assets	327,981	271,708	(1,873)	662	–	598,478
Provision/(reversal of provision) for prepayment	17,202	(29,876)	16	29	–	(12,629)
Provision/(reversal of provision) for impairment of inventories	46,944	(15,088)	(2,623)	1,201	–	30,434
Provision for impairment of property, plant and equipment	2,633	–	–	–	–	2,633
Provision for impairment of intangible assets	201,341	168,831	236,690	–	–	606,862
Depreciation of property, plant and equipment	1,139,552	268,131	180,695	30,120	–	1,618,498
Depreciation of investment properties	25,112	22,196	1,134	2,670	–	51,112
Depreciation of right-of-use assets	598,810	253,881	967,438	50,646	–	1,870,775
Amortisation of intangible assets	345,881	–	35,597	195	–	381,673
Capital expenditures	1,745,248	594,081	433,527	34,413	–	2,807,269

5. Segment information (continued)

Segment assets and liabilities

(ii) As at 31 December 2022 and 2021

	Pharmaceutical distribution RMB'000	Medical devices RMB'000	Retail pharmacy RMB'000	Other business RMB'000	Eliminations RMB'000	Group RMB'000
As at 31 December 2022						
Segment assets and liabilities						
Segment assets	259,104,636	85,760,800	16,335,878	20,677,359	(19,083,282)	362,795,391
Segment assets include:						
Investments in associates and joint ventures	291,640	100,688	25,153	8,570,170	-	8,987,651
Unallocated assets – Deferred tax assets						1,979,743
Total assets						364,775,134
Segment liabilities	122,666,554	67,358,860	13,265,540	5,370,788	(19,640,221)	189,021,521
Unallocated liabilities – Deferred tax liabilities and borrowings						65,684,423
Total liabilities						254,705,944
As at 31 December 2021						
Segment assets and liabilities						
Segment assets	245,710,000	70,506,523	15,728,086	19,806,913	(18,126,294)	333,625,228
Segment assets include:						
Investments in associates and joint ventures	280,446	105,892	25,097	8,003,244	–	8,414,679
Unallocated assets – Deferred tax assets						1,787,093
Total assets						335,412,321
Segment liabilities	120,319,819	50,490,205	13,213,469	5,812,660	(18,670,889)	171,165,264
Unallocated liabilities – Deferred tax liabilities and borrowings						64,593,122
Total liabilities						235,758,386

The Group's operations are mainly located in the PRC and substantially all non-current assets are located in the PRC.

5. Segment information (continued)

Information about major customers

No revenue from a singular customer in the reporting period amounted to over 10% of the total revenue of the Group.

6. Revenue

An analysis of revenue is as follows:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers		
Sales of goods	**548,707,089**	518,392,214
Consulting income	**1,171,419**	980,020
Logistics service income	**1,446,497**	914,603
Franchise fee and other service fee	**161,860**	181,507
Import agency income	**82,284**	64,307
Others	**310,094**	254,024
Revenue from other sources		
Operating lease income (Note 17)	**268,307**	264,560
	552,147,550	521,051,235

Revenue from contracts with customers

Disaggregated revenue information

For the year ended 31 December 2022

Segments	Pharmaceutical distribution RMB'000	Medical devices RMB'000	Retail pharmacy RMB'000	Others RMB'000	Total RMB'000
Types of goods or services					
Sale of goods	389,877,781	119,131,232	31,439,720	8,258,356	548,707,089
Services and others	1,901,541	475,089	694,959	100,565	3,172,154
Total revenue from contracts with customers	391,779,322	119,606,321	32,134,679	8,358,921	551,879,243
Geographical markets					
China	391,779,322	119,606,321	32,134,679	8,358,921	551,879,243
Timing of revenue recognition					
Recognised at a point in time	391,779,322	119,606,321	32,134,679	8,358,921	551,879,243

6. Revenue (continued)

Revenue from contracts with customers (continued)

Disaggregated revenue information (continued)

For the year ended 31 December 2021

Segments	Pharmaceutical distribution RMB'000	Medical devices RMB'000	Retail pharmacy RMB'000	Others RMB'000	Total RMB'000
Types of goods or services					
Sale of goods	375,801,206	107,011,096	27,664,536	7,915,376	518,392,214
Services and others	1,298,943	401,231	645,156	49,131	2,394,461
Total revenue from contracts with customers	377,100,149	107,412,327	28,309,692	7,964,507	520,786,675
Geographical markets					
China	377,100,149	107,412,327	28,309,692	7,964,507	520,786,675
Timing of revenue recognition					
Recognised at a point in time	377,100,149	107,412,327	28,309,692	7,964,507	520,786,675

Revenue included in the contract liability at the beginning of the reporting period will be recognised from performance obligations satisfied in previous periods. Revenue from delivering products and services of RMB6,085,953,000 (2021: RMB7,323,794,000) was recognised in the current year.

Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

Revenue is recognised when control of the goods has transferred and payment is generally due within 30 to 210 days from delivery.

Services and others

The performance obligation is satisfied upon completion of services and payment is generally due within 30 to 210 days from completion.

7. Other income

	2022 RMB'000	2021 RMB'000
Government grants	676,163	589,193

Government grants mainly represent subsidy income received from various government authorities as incentives to certain members of the Group.

8. Impairment losses on financial and contract assets

	2022 RMB'000	2021 RMB'000
Impairment of financial and contract assets, net:		
Trade and bills receivables (Note 29)	**393,902**	428,185
Contract assets (Note 30)	**37,981**	17,587
Other receivables (Note 31)	**196,725**	101,617
Other non-current assets (Note 27)	**37,899**	38,722
Finance lease receivable	**(40)**	12,367
	666,467	598,478

9. Other gains, net/Other expenses

	2022 RMB'000	2021 RMB'000
Write-back of certain liabilities	**97,806**	88,713
(Loss)/gain on disposal of subsidiaries (Note 43)	**(36,376)**	1,479
Gain on disposal of investment in an associate	**30,479**	1,639
Gain on disposal of investment properties, property, plant and equipment and intangible assets	**17,217**	1,709
Gain on disposal of non-current assets held for sale	**–**	37,534
Gain on disposal of right-of-use assets	**22,265**	25,144
Foreign exchange loss, net	**(2,388)**	(10,506)
Donation	**(62,085)**	(45,552)
Dividend income from:		
Equity investments at fair value through other comprehensive income	**535**	947
Equity investments at fair value through profit or loss	**12,516**	31,038
Fair value gains on financial assets at fair value through profit or loss	**13,184**	35,521
Others, net	**29,045**	50,754
	122,198	218,420
Provision for impairment of intangible assets (Note 19)	**(55,786)**	(606,862)
Reversal for impairment of prepayment	**15,866**	12,629
	(39,920)	(594,233)

10. Expenses by nature

	2022 RMB'000	2021 RMB'000
Raw materials and trading merchandise consumed	**502,621,769**	475,026,060
Changes in inventories of finished goods and work in progress	**(9,601)**	45,394
Employee benefit expenses (Note 11)	**14,714,377**	13,445,639
Impairment of inventories, net (Note 28)	**21,408**	30,434
Lease payments not included in the measurement of lease liabilities (Note 16(c))	**666,358**	651,763
Depreciation of property, plant and equipment (Note 18)	**1,744,398**	1,618,498
Depreciation of investment properties (Note 17)	**40,744**	51,112
Depreciation of right-of-use assets (Note 16(a))	**1,989,216**	1,870,775
Amortisation of intangible assets (Note 19)	**390,661**	381,673
Auditor's remuneration		
– statutory audit services	**48,846**	54,948
– non-statutory audit services	**2,322**	2,956
– non-audit services	**–**	80
Advisory and consulting fees	**401,976**	400,957
Transportation expenses	**2,268,813**	2,023,979
Travel expenses	**229,597**	320,010
Market development and business promotion expenses	**3,240,758**	3,092,649
Utilities	**292,982**	249,804
Others	**951,986**	932,422
Total cost of sales, selling and distribution expenses, and administrative expenses	**529,616,610**	500,199,153

Notes:

(i) The impairment of goodwill RMB38,980,000 (2021: RMB396,060,000) are included in "Other expenses" (Note 9) in the consolidated statement of profit or loss.

(ii) The Impairment losses on financial and contract assets refer to Note 8.

11. Employee benefit expenses

	2022 RMB'000	2021 RMB'000
Salaries, wages, allowances and bonuses (i)	**11,528,515**	10,631,027
Contributions to pension plans (ii)	**1,270,492**	1,091,520
Post-employment benefits (Note 37)	**6,217**	7,295
Housing benefits (iii)	**531,682**	469,257
Other benefits (iv)	**1,377,471**	1,246,540
	14,714,377	13,445,639

Notes:

(i) Bonus was determined based on the performance of the Group as well as employees' performance and contribution to the Group.

(ii) As stipulated by the related regulations in the PRC, the Group makes contributions to state-sponsored retirement schemes for its employees in Mainland China. The Group has also made contributions to another retirement scheme managed by an insurance company from 2011 for its employees of the Company and certain subsidiaries. The Group's employees make monthly contributions to the schemes at approximately 8% (2021: 8%) of the relevant income (comprising wages, salaries, allowances and bonus, and subject to maximum caps), while the Group makes contributions of 12% to 20% (2021: 12% to 20%) of such relevant income and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. These retirement schemes are responsible for the entire post-retirement benefit obligations to the retired employees.

Contributions totalling RMB32,572,000 (31 December 2021: RMB10,127,000) were payable to the fund pension plan of China National Pharmaceutical Group at the year ended 31 December 2022.

There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

(iii) Housing benefits represent contributions to the government-supervised housing funds in Mainland China at rates ranging from 5% to 12% of the employees' basic salary.

(iv) Other benefits mainly represent expenses incurred for medical insurance, employee welfare, employee education and training, and for union activities.

11. Employee benefit expenses (continued)

Notes: (continued)

(v) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2021: two) directors whose emoluments are reflected in the analysis shown in Note 49. The emoluments payable to the remaining three (2021: three) individuals during the year are as follows:

	2022 RMB'000	2021 RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	4,184	3,907
Bonuses	6,019	6,514
Contributions to pension schemes	549	519
	10,752	10,940

	2022 RMB'000	2021 RMB'000
Emolument bands		
HK$3,500,001 – HK$4,000,000 (RMB2,988,201 – RMB3,415,000)	1	1
HK$4,000,001 – HK$4,500,000 (RMB3,415,001 – RMB3,841,900)	1	–
HK$4,500,001 – HK$5,000,000 (RMB3,841,901 – RMB4,268,800)	1	2

(vi) For the years ended 31 December 2022 and 2021, no director, supervisor or highest paid individuals above received emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office. No director or supervisor waived or had agreed to waive any emoluments.

12. Finance income and costs

	2022 RMB'000	2021 RMB'000
Interest expense:		
– Interest-bearing bank and other borrowings	**2,738,251**	2,874,743
– Discount of bills receivable	**593,263**	690,232
– Net interest on net defined benefit liability (Note 37)	**11,047**	11,739
– Lease liabilities (Note 16(b))	**199,303**	195,670
Gross interest expense	**3,541,864**	3,772,384
Bank charges	**212,433**	204,596
Less: Capitalised interest expense (Note 18)	**(21,538)**	(15,549)
Finance costs	**3,732,759**	3,961,431
Finance income:		
– Interest income on deposits in banks and other financial institutions	**(468,209)**	(473,850)
– Interest income on long-term deposits	**(74,558)**	(84,712)
	(542,767)	(558,562)
Net finance costs	**3,189,992**	3,402,869

13. Taxation

	2022 RMB'000	2021 RMB'000
Current income tax	**4,479,835**	4,237,217
Deferred income tax (Note 26)	**(261,458)**	(298,828)
	4,218,377	3,938,389

13. Taxation (continued)

A reconciliation of the tax charge applicable to profit before tax using the applicable rate for the jurisdiction in which the Company and its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	2022 RMB'000	2021 RMB'000
Profit before tax	**18,563,819**	17,003,162
Less: Share of profits and losses of associates and joint ventures	**(1,067,067)**	(1,069,868)
	17,496,752	15,933,294
Tax calculated at the applicable tax rate	**4,374,188**	3,983,324
Impact of lower tax rates enacted by local authority	**(355,064)**	(305,511)
Expenses not deductible for tax purposes	**196,118**	251,868
Income not subject to tax	**(9,721)**	(13,586)
Tax losses not recognised	**39,207**	56,207
Tax losses utilised from previous periods	**(5,983)**	(6,207)
Impact of change in the applicable income tax rate on deferred tax	**(2,463)**	(3,130)
Adjustments in respect of current tax of previous periods	**(17,905)**	(24,576)
Income tax expense	**4,218,377**	3,938,389

During 2022, enterprises established in the PRC are normally subject to enterprise income tax ("EIT") at the rate of 25%, while certain subsidiaries enjoy preferential EIT at a rate of 15% as approved by the relevant tax authorities or due to their operation in designated areas with preferential EIT policies.

Two of the Group's subsidiaries were subject to Hong Kong profits tax at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong during the year, except for one subsidiary of the Group which was a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2021/2022. The first HKD2,000,000 (2021: HKD2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

13. Taxation (continued)

The tax credit/(charge) relating to the components of other comprehensive loss is as follows:

	2022			2021		
	Before tax RMB'000	Tax (charge)/ credit RMB'000	After tax RMB'000	Before tax RMB'000	Tax (charge)/ credit RMB'000	After tax RMB'000
Equity investments at fair value through other comprehensive income	(13,694)	3,388	(10,306)	(4,994)	1,248	(3,746)
Remeasurement of post-employment benefit obligations	(14,125)	3,647	(10,478)	(11,784)	2,841	(8,943)
	(27,819)	7,035	(20,784)	(16,778)	4,089	(12,689)

14. Earnings per share

The calculation of the basic earnings per share is based on the Group's profit for the year attributable to equity holders of the Company divided by the weighted average number of ordinary shares of the Company in issue during the year.

The Group had no potentially dilutive ordinary shares in issue for the years ended 31 December 2022 and 2021.

The calculations of basic and diluted earnings per share are based on:

	2022 RMB'000	2021 RMB'000
Earnings		
Profit attributable to equity holders of the parent used in the basic and diluted earnings per share calculation	8,525,655	7,758,646
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation ('000)	3,120,656	3,120,656
Basic and diluted earnings per share (RMB per share)	2.73	2.49

15. Dividends

The final dividend for the year 2021 of RMB0.75 per share (tax inclusive), based on the total share capital of the Company of 3,120,656,191 ordinary shares, amounting to RMB2,340,492 thousand in total, was approved by the shareholders at the annual general meeting of the Company held on 23 June 2022.

A final dividend for the year ended 31 December 2022 of RMB0.82 (tax inclusive) per ordinary share, based on the total share capital of the Company of 3,120,656,191 ordinary shares, totalling approximately RMB2,558,938,000, is to be proposed at the upcoming annual general meeting according to the resolution passed at the Board meeting held on 24 March 2023. These financial statements have not reflected this proposed dividend.

	2022 RMB'000	2021 RMB'000
Proposed final – RMB0.82 (2021: RMB0.75) per ordinary share	2,558,938	2,340,492

16. Leases

The Group as a lessee

The Group has lease contracts for various items of land, buildings, plant and machinery and furniture, fittings and equipment 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 generally have lease terms between 8 and 45 years, while plant and machinery generally have lease terms between 5 and 15 years. Leases of furniture, fittings and equipment generally have lease terms between 3 and 15 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

16. Leases (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:

	Land use right RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fittings and equipment RMB'000	Total RMB'000
At 1 January 2022, net of accumulated depreciation and impairment	**1,810,246**	**5,034,751**	**137,643**	**770**	**6,983,410**
Additions	**97,315**	**2,244,257**	**33,827**	**1,009**	**2,376,408**
Disposals	**–**	**(331,587)**	**(8,595)**	**(22)**	**(340,204)**
Depreciation (Note 10)	**(52,750)**	**(1,894,385)**	**(41,092)**	**(989)**	**(1,989,216)**
At 31 December 2022, net of accumulated depreciation and impairment	**1,854,811**	**5,053,036**	**121,783**	**768**	**7,030,398**
At 31 December 2022:					
Cost	**2,411,911**	**8,971,212**	**229,377**	**3,967**	**11,616,467**
Accumulated amortisation and impairment	**(557,100)**	**(3,918,176)**	**(107,594)**	**(3,199)**	**(4,586,069)**
Net carrying amount	**1,854,811**	**5,053,036**	**121,783**	**768**	**7,030,398**

	Land use right RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fittings and equipment RMB'000	Total RMB'000
At 1 January 2021, net of accumulated depreciation and impairment	1,829,926	4,853,753	141,711	2,701	6,828,091
Acquisition of subsidiaries	9,059	61,247	–	–	70,306
Additions	22,840	2,285,583	63,957	–	2,372,380
Termination	–	(393,338)	(23,254)	–	(416,592)
Depreciation (Note 10)	(51,579)	(1,772,494)	(44,771)	(1,931)	(1,870,775)
At 31 December 2021, net of accumulated depreciation and impairment	1,810,246	5,034,751	137,643	770	6,983,410
At 31 December 2021:					
Cost	2,314,596	8,231,517	231,392	3,206	10,780,711
Accumulated amortisation and impairment	(504,350)	(3,196,766)	(93,749)	(2,436)	(3,797,301)
Net carrying amount	1,810,246	5,034,751	137,643	770	6,983,410

16. Leases (continued)

The Group as a lessee (continued)

(a) Right-of-use assets (continued)

All land in Mainland China is state-owned and no individual land ownership rights exist. The Group acquires the right to use certain land and the considerations paid for such right are recorded as right-of-use assets, which are amortised over the lease terms of 20 to 50 years using the straight-line method.

As at 31 December 2022, the land use right with a net carrying amount of approximately RMB7,139,000 (2021: RMB7,295,000) were pledged as collateral for the Group's bank borrowings (Note 33).

(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	**4,797,916**	4,649,150
New leases	**2,237,660**	2,272,130
Additions as a result of acquisition of a subsidiary	**–**	47,684
Accretion of interest recognised during the year (Note 12)	**199,303**	195,670
Payments	**(2,024,083)**	(1,952,855)
Covid-19-related rent concessions from lessor	**(6,263)**	(4,132)
Disposals	**(362,026)**	(409,731)
Carrying amount at 31 December	**4,842,507**	4,797,916
Analysed into:		
Current portion	**1,635,947**	1,548,046
Non-current portion	**3,206,560**	3,249,870

The maturity analysis of lease liabilities is disclosed in Note 3 (1)(iv) to the financial statements.

The Group has applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain buildings during the year.

16. Leases (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	**199,303**	195,670
Depreciation charge of right-of-use assets	**1,989,216**	1,870,775
Expense relating to short-term leases	**657,585**	643,183
Expense relating to leases of low-value assets with remaining lease terms ended on or before 31 December 2021	**8,231**	7,444
Variable lease payments not included in the measurement of lease liabilities	**542**	1,136
Gain on disposal of items of right-of-use assets	**22,265**	25,144
Total amount recognised in profit or loss	**2,877,142**	2,743,352

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in Note 41(d) and Note 42(b), respectively, to the financial statements.

The Group as a lessor

The Group leases its investment properties (Note 17) consisting of commercial properties in Mainland China 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 RMB268,307,000 (2021: RMB264,560,000), details of which are included in note 6 to the financial statements.

At 31 December 2022 and 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants falling due are as follows:

	2022 RMB'000	2021 RMB'000
Within one year	**229,204**	259,532
After one year but within five years	**169,861**	202,569
After five years	**25,337**	26,381
	424,402	488,482

17. Investment properties

	2022 RMB'000	2021 RMB'000
Cost	**1,129,874**	1,142,727
Accumulated depreciation and impairment	**(591,536)**	(554,361)
Net carrying amount	**538,338**	588,366
Opening carrying amount	**588,366**	634,050
Transfer from property, plant and equipment (Note 18)	**13,451**	23,574
Transfer to property, plant and equipment (Note 18)	**(22,105)**	(17,011)
Disposal	**(630)**	(1,135)
Depreciation (Note 10)	**(40,744)**	(51,112)
Closing carrying amount	**538,338**	588,366

Investment properties are located in Mainland China with land use periods of 25 to 50 years (2021: 25 to 50 years).

As at 31 December 2022, investment properties with a carrying amount of approximately RMB12,000 (2021: RMB16,000) were pledged as collateral of the Group's bank borrowings (Note 33).

As at 31 December 2022, the fair value of the investment properties was estimated to be approximately RMB3,720,297,000 (2021: RMB3,608,550,000). The valuation was determined using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square metre.

Rental income from investment properties has been included in the consolidated statement of profit or loss as follows:

	2022 RMB'000	2021 RMB'000
Revenue (Note 6)	**268,307**	264,560

18. Property, plant and equipment

	Buildings RMB'000	Plant and machinery RMB'000	Furniture fittings and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2022						
Cost	12,127,395	4,879,634	2,576,158	955,973	718,533	21,257,693
Accumulated depreciation and impairment	(3,715,514)	(2,865,794)	(1,680,988)	(571,055)	–	(8,833,351)
Net carrying amount	8,411,881	2,013,840	895,170	384,918	718,533	12,424,342
At 1 January 2022, net of accumulated depreciation and impairment	8,411,881	2,013,840	895,170	384,918	718,533	12,424,342
Acquisition of subsidiaries (Note 45)	1,157	20	335	–	–	1,512
Additions	395,369	543,282	352,846	73,289	799,351	2,164,137
Transfers	434,288	155,084	44,146	–	(633,518)	–
Transfer from investment properties (Note 17)	22,105	–	–	–	–	22,105
Transfer to investment properties (Note 17)	(13,451)	–	–	–	–	(13,451)
Transfer to intangible assets (Note 19)	–	–	–	–	(82,074)	(82,074)
Disposals	(57,309)	(38,915)	(33,629)	(21,296)	(2,239)	(153,388)
Depreciation (Note 10)	(735,251)	(577,928)	(338,658)	(92,561)	–	(1,744,398)
Impairment	–	(1,996)	(20)	(3)	–	(2,019)
At 31 December 2022, net of accumulated depreciation and impairment	8,458,789	2,093,387	920,190	344,347	800,053	12,616,766
At 31 December 2022						
Cost	12,907,405	5,428,048	2,867,468	873,054	800,053	22,876,028
Accumulated depreciation and impairment	(4,448,616)	(3,334,661)	(1,947,278)	(528,707)	–	(10,259,262)
Net carrying amount	8,458,789	2,093,387	920,190	344,347	800,053	12,616,766

18. Property, plant and equipment (continued)

	Buildings RMB'000	Plant and machinery RMB'000	Furniture fittings and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2021						
Cost	11,346,463	4,428,332	2,279,703	896,973	519,847	19,471,318
Accumulated depreciation and impairment	(3,017,520)	(2,404,884)	(1,450,560)	(530,599)	–	(7,403,563)
Net carrying amount	8,328,943	2,023,448	829,143	366,374	519,847	12,067,755
At 1 January 2021, net of accumulated depreciation and impairment	8,328,943	2,023,448	829,143	366,374	519,847	12,067,755
Acquisition of subsidiaries	21,825	4,027	3,455	1,341	2,514	33,162
Additions	494,491	457,157	365,960	120,834	700,584	2,139,026
Transfers	300,105	112,140	34,194	–	(446,439)	–
Transfer from investment properties (Note 17)	17,011	–	–	–	–	17,011
Transfer to investment properties (Note 17)	(23,574)	–	–	–	–	(23,574)
Transfer to intangible assets (Note 19)	–	–	–	–	(55,904)	(55,904)
Disposals	(44,438)	(47,221)	(27,044)	(11,253)	(2,069)	(132,025)
Depreciation (Note 10)	(682,482)	(533,146)	(310,538)	(92,332)	–	(1,618,498)
Impairment	–	(2,565)	–	(46)	–	(2,611)
At 31 December 2021, net of accumulated depreciation and impairment	8,411,881	2,013,840	895,170	384,918	718,533	12,424,342
At 31 December 2021						
Cost	12,127,395	4,879,634	2,576,158	955,973	718,533	21,257,693
Accumulated depreciation and impairment	(3,715,514)	(2,865,794)	(1,680,988)	(571,055)	–	(8,833,351)
Net carrying amount	8,411,881	2,013,840	895,170	384,918	718,533	12,424,342

18. Property, plant and equipment (continued)

Details of the borrowing costs capitalised into cost of property, plant and equipment are as follows:

	2022 RMB'000	2021 RMB'000
Borrowing costs capitalised	21,538	15,549
Weighted average rate of borrowing costs	2.96%	3.34%

Depreciation expense was charged to the consolidated statement of profit or loss as follows:

	2022 RMB'000	2021 RMB'000
Cost of sales	356,019	304,804
Selling and distribution expenses	511,567	481,176
Administrative expenses	876,812	832,518
	1,744,398	1,618,498

As at 31 December 2022, property, plant and equipment with a net carrying amount of approximately RMB20,384,000 (2021: RMB17,008,000) were pledged as collateral for the Group's bank borrowings (Note 33).

19. Intangible assets

	Goodwill RMB'000	Sales network RMB'000	Trademarks and patent rights RMB'000	Exclusive distribution rights RMB'000	Software RMB'000	Product development costs RMB'000	Favourable leasing rights RMB'000	Total RMB'000
At 1 January 2022, net of accumulated amortisation and impairment	7,199,009	2,302,281	280,440	28,817	422,051	76,608	82,521	10,391,727
Additions	–	–	250	–	159,510	46,466	–	206,226
Acquisition of subsidiaries (Note 45)	13,245	–	–	–	–	–	–	13,245
Transfers	–	–	31,869	–	15,775	(47,644)	–	–
Transfers from property, plant and equipment (Note 18)	–	–	–	–	82,074	–	–	82,074
Disposals	(17,694)	(50,197)	(59)	–	(6,962)	(994)	–	(75,906)
Amortisation (Note 10)	–	(189,819)	(25,212)	(5,148)	(163,396)	–	(7,086)	(390,661)
Impairment (Note 9)	(38,980)	(1,290)	(15,370)	–	(146)	–	–	(55,786)
At 31 December 2022, net of accumulated amortisation and impairment	7,155,580	2,060,975	271,918	23,669	508,906	74,436	75,435	10,170,919
At 31 December 2022:								
Cost	8,010,003	4,245,753	500,990	52,573	1,367,839	74,436	127,485	14,379,079
Accumulated amortisation and impairment	(854,423)	(2,184,778)	(229,072)	(28,904)	(858,933)	–	(52,050)	(4,208,160)
Net carrying amount	7,155,580	2,060,975	271,918	23,669	508,906	74,436	75,435	10,170,919

19. Intangible assets (continued)

	Goodwill RMB'000	Sales network RMB'000	Trademarks and patent rights RMB'000	Exclusive distribution rights RMB'000	Software RMB'000	Product development costs RMB'000	Favourable leasing rights RMB'000	Total RMB'000
At 1 January 2021, net of accumulated amortisation and impairment	7,287,394	2,583,048	282,929	34,184	370,879	81,261	89,607	10,729,302
Additions	–	94	172	–	131,328	26,281	–	157,875
Acquisition of subsidiaries	307,675	96,960	40,440	–	232	–	–	445,307
Transfers	–	–	19,509	–	6,347	(25,856)	–	–
Transfers from property, plant and equipment (Note 18)	–	–	–	–	55,904	–	–	55,904
Disposals	–	–	–	–	(3,048)	(5,078)	–	(8,126)
Amortisation (Note 10)	–	(210,237)	(19,610)	(5,367)	(139,373)	–	(7,086)	(381,673)
Impairment (Note 9)	(396,060)	(167,584)	(43,000)	–	(218)	–	–	(606,862)
At 31 December 2021, net of accumulated amortisation and impairment	7,199,009	2,302,281	280,440	28,817	422,051	76,608	82,521	10,391,727
At 31 December 2021:								
Cost	8,014,452	4,305,990	468,930	52,573	1,123,526	76,608	127,485	14,169,564
Accumulated amortisation and impairment	(815,443)	(2,003,709)	(188,490)	(23,756)	(701,475)	–	(44,964)	(3,777,837)
Net carrying amount	7,199,009	2,302,281	280,440	28,817	422,051	76,608	82,521	10,391,727

Amortisation expenses charged to the consolidated statement of profit or loss are as follows:

	2022 RMB'000	2021 RMB'000
Selling and distribution expenses	**201,807**	192,661
Administrative expenses	**188,854**	189,012
	390,661	381,673

19. Intangible assets (continued)

Impairment tests for goodwill:

Goodwill is allocated to the Group's cash-generating units ("CGUs"), presented by the operating segment, as follows:

2022	Opening RMB'000	Additions RMB'000 (Note 45)	Impairment RMB'000	Disposal of subsidiaries RMB'000	Closing RMB'000
Pharmaceutical distribution	3,770,231	–	(38,980)	–	3,731,251
Medical devices	1,106,474	–	–	(17,694)	1,088,780
Retail pharmacy	2,277,016	13,245	–	–	2,290,261
Other businesses	45,288	–	–	–	45,288
	7,199,009	13,245	(38,980)	(17,694)	7,155,580

2021	Opening RMB'000	Additions RMB'000 (Note 45)	Impairment RMB'000	Disposal of subsidiaries RMB'000	Closing RMB'000
Pharmaceutical distribution	3,966,804	74,417	(270,990)	–	3,770,231
Medical devices	1,189,246	42,298	(125,070)	–	1,106,474
Retail pharmacy	2,086,056	190,960	–	–	2,277,016
Other businesses	45,288	–	–	–	45,288
	7,287,394	307,675	(396,060)	–	7,199,009

The recoverable amount of a CGU is determined based on the higher of value-in-use and fair value less costs of disposal. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rates for the businesses in which the CGUs operate.

19. Intangible assets (continued)

The key assumptions, long-term growth rates and discount rates used for fair value less cost of disposal or value-in-use calculations of top 5 significant CGUs in 2022 are as follows:

	CGU1	CGU2	CGU3	CGU4	CGU5
	Retail				
Segment	pharmacy		Pharmaceutical distribution		
Net goodwill (RMB'000)	1,182,444	1,081,882	319,166	191,420	190,278
Revenue growth rates in the budget period	0.93%-5.98%	7.01%-7.49%	8.16%-14.03%	5.00%-6.43%	6.28%-11.28%
Gross margin	30.89%-31.18%	6.58%-6.72%	12.47%-13.20%	7.75%-7.79%	4.89%-4.95%
Growth rates to extrapolate cash flows beyond the budget period	3.00%	3.00%	3.00%	3.00%	3.00%
Discount rate	15.66%	19.68%	15.72%	19.46%	15.33%

Management determined the budgeted gross margin and growth rates based on past performance of the CGUs and expectations for market development. The discount rates used are before tax after reflecting specific risks of the relevant businesses.

During the reporting period, by comparing the carrying value of the CGUs containing the goodwill with those recoverable amounts, the Group provided goodwill impairment amounting to RMB38,980,000 and intangible assets impairment amounting to RMB16,806,000 related to two CGUs in Retail pharmacy segment, one CGU in Pharmaceutical distribution segment and one CGU in Medical device segment, was recognised in the consolidated statement of profit or loss as other expenses.

20. Subsidiaries

The principal subsidiaries of the Company are set out in Note 47.

Material non-controlling interests

The total non-controlling interests as at 31 December 2022 amounted to RMB42,000,631,000 (31 December 2021: RMB37,767,920,000), of which RMB7,634,062,000 (31 December 2021: RMB6,932,420,000) was attributed to China National Medicines Corporation Ltd. ("**National Medicines**"), RMB10,404,532,000 (31 December 2021: RMB9,655,292,000) was attributed to China National Accord Medicines Co., Ltd. ("**Sinopharm Accord**") and RMB9,191,003,000 (31 December 2021: RMB8,007,231,000) was attributed to China National Scientific Instruments and Materials Co., Ltd ("**Scientific Instruments**"). The non-controlling interest in respect of each of the other subsidiaries is not material.

20. Subsidiaries (continued)

Summarised financial information of subsidiaries with material non-controlling interests

Set out below is the summarised financial information of the aforementioned subsidiaries that have non-controlling interests that are material to the Group.

	National Medicines		Sinopharm Accord		Scientific Instruments	
	2022	2021	**2022**	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Current						
Assets	**25,637,278**	24,456,822	**31,708,246**	31,848,416	**50,927,761**	42,117,488
Liabilities	**(12,634,879)**	(12,628,485)	**(21,027,599)**	(22,379,018)	**(41,328,282)**	(33,391,005)
Total current net assets	**13,002,399**	11,828,337	**10,680,647**	9,469,398	**9,599,479**	8,726,483
Non-current						
Assets	**3,464,540**	3,018,196	**10,907,514**	10,935,267	**6,277,617**	5,766,092
Liabilities	**(606,221)**	(491,066)	**(2,143,455)**	(2,382,452)	**(1,555,007)**	(1,882,662)
Total non-current net assets	**2,858,319**	2,527,130	**8,764,059**	8,552,815	**4,722,610**	3,883,430
Net assets	**15,860,718**	14,355,467	**19,444,706**	18,022,213	**14,322,089**	12,609,913

Summarised statement of profit or loss

	National Medicines		Sinopharm Accord		Scientific Instruments	
	2022	2021	**2022**	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue	**45,501,662**	46,468,603	**73,443,137**	68,357,810	**80,576,653**	72,489,977
Profit before income tax	**2,689,133**	2,444,806	**2,311,070**	1,974,853	**2,866,322**	2,660,367
Income tax expense	**(559,181)**	(516,303)	**(539,332)**	(447,211)	**(710,427)**	(672,974)
Post-tax profit	**2,129,952**	1,928,503	**1,771,738**	1,527,642	**2,155,895**	1,987,393
Other comprehensive loss	**(1,068)**	(2,776)	**(23,324)**	(27,709)	**6,767**	(4,249)
Total comprehensive income	**2,128,884**	1,925,727	**1,748,414**	1,499,933	**2,162,662**	1,983,144
Total comprehensive income allocated to non-controlling interests	**1,053,548**	967,463	**922,793**	760,043	**1,484,043**	1,315,469
Dividends paid to non-controlling interests	**301,540**	420,634	**194,728**	216,419	**401,095**	258,801

20. Subsidiaries (continued)

Summarised financial information of subsidiaries with material non-controlling interests (continued)

Summarised cash flows

	National Medicines		Sinopharm Accord		Scientific Instruments	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Cash flows from operating activities						
Cash generated from operations	2,932,289	2,490,149	3,110,988	2,157,128	2,649,740	3,234,484
Income tax paid	(571,833)	(532,698)	(550,558)	(501,947)	(748,653)	(724,008)
Net cash from operating activities	2,360,456	1,957,451	2,560,430	1,655,181	1,901,087	2,510,476
Net cash used in investing activities	(143,697)	(122,991)	(342,819)	(455,532)	(517,747)	(245,719)
Net cash used in financing activities	(613,527)	(745,962)	(1,507,760)	(1,871,641)	(150,170)	(2,870,429)
Net increase/(decrease) in cash and cash equivalents	1,603,232	1,088,498	709,851	(671,992)	1,233,170	(605,672)
Cash and cash equivalents at beginning of year	7,229,917	6,141,419	4,733,512	5,405,113	7,230,803	7,844,090
Effect of foreign exchange rate changes, net	–	–	(1,190)	391	16,820	(7,615)
Cash and cash equivalents at end of year	8,833,149	7,229,917	5,442,173	4,733,512	8,480,793	7,230,803

The information above is before inter-company eliminations.

21. Investments in associates

	2022 RMB'000	2021 RMB'000
At 1 January	**8,387,677**	7,735,431
Share of results	**1,064,155**	1,069,173
Unrealised gain on transactions with an associate	**44,656**	904
Share of other comprehensive income/(loss)	**3,226**	(2,061)
Share of changes in equity other than comprehensive income and distributions received from associates	**(14,619)**	18,996
Other additions	**4,749**	9,300
Dividends declared by associates attributable to the Group	**(516,823)**	(430,307)
Disposal of investments in associates	**(5,603)**	(10,741)
Impairment	**–**	(3,018)
At 31 December	**8,967,418**	8,387,677

The Group's receivable and payable balances with the associates are disclosed in Notes 46 to the financial statements.

Particulars of the material associates are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of equity interest attributable to the Group		Principal activity
			2022(i)	2021(i)	
Shanghai Modern Pharmaceutical Co., Ltd. (上海現代製藥股份有限公司)	Ordinary shares of RMB1 each	PRC/Mainland China	**15.89%**	18.14%	Pharmaceutical manufacturing

(i) The Group's investment in this associate is accounted for under the equity method of accounting because the Group has significant influence over the associate by way of representation on the board of directors and participation in the policy-making process, despite the fact that the percentage of the Group's equity interest in it was lower than 20% for the year ended 31 December 2022 and the year ended 31 December 2021.

Shanghai Modern Pharmaceutical Co., Ltd. issued 145,102,781 shares in a non-public offering in December 2022 at a price of RMB8.27 per share, resulting in the dilution of the Group from 18.14% to 15.89%, as a result, the reserve was reduced by RMB9,952,000.

21. Investments in associates (continued)

The following table illustrates the summarised financial information of Shanghai Modern Pharmaceutical Co., Ltd. extracted from its financial statements, reconciled to the carrying amount in the consolidated financial statements:

	2022 RMB'000	2021 RMB'000
Current assets	**11,684,457**	10,886,446
Non-current assets	**7,945,889**	8,183,515
Current liabilities	**(4,195,506)**	(6,842,571)
Non-current liabilities	**(3,282,119)**	(1,857,532)
Non-controlling interests	**(1,847,277)**	(1,777,095)
Net assets	**10,305,444**	8,592,763
Proportion of the Group's ownership	**15.89%**	18.14%
Carrying amount of the investment	**1,637,535**	1,558,727
Revenue	**12,959,321**	13,944,948
Profit for the year	**867,485**	821,146
Other comprehensive income	**497**	253
Dividend declared	**18,621**	18,621
Fair value of the Group's investment	**1,692,458**	1,931,898

21. 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' profit for the year	**950,285**	966,156
Share of the associates' other comprehensive income	**3,135**	(2,093)
Share of the associates' total comprehensive income	**953,420**	964,063
Aggregate carrying amount of the Group's investments in the associates	**7,329,883**	6,828,950

22. Equity investments designated at fair value through other comprehensive income

	2022 RMB'000	2021 RMB'000
Listed equity investment, at fair value		
Jiangsu Lianhuan Pharmaceutical Group Co., Ltd.	**35,232**	36,245
Unlisted equity investments, at fair value		
Shanghai Fuxin Chuanghong Fund Investment Co., Ltd.	**14,850**	24,820
Shanghai Guoda Shuguang Pharmacy Co., Ltd.	**680**	8,319
Shanghai Guoren Pharmacy Co., Ltd.	**283**	4,721
Suzhou Liuliu Vision Technology Co., Ltd.	**4,755**	4,755
Horgos Boyun Limin E-commerce Co., Ltd.	**337**	561
Zhejiang Wahaha Industrial Co., Ltd.	**300**	300
Sinopharm (Shanghai) E-commerce Co., Ltd.	**471**	471
Beijing Guokong Cloud Pharmacy Co., Ltd.	**–**	140
Hunan Zhongbai Pharmaceutical Investment Co., Ltd.	**30**	270
Shenzhen Zhonglian Guangshen Pharmaceutical Group Co., Ltd.	**293**	293
Wuhan Gaoke Medical Device Enterprise Incubation Co., Ltd.	**150**	150
	22,149	44,800
	57,381	81,045

(i) 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.

(ii) During the year ended 31 December 2022, the Group received dividends in an aggregate amount of RMB535,000 (2021: RMB947,000).

23. Financial assets at fair value through profit or loss

	2022 RMB'000	2021 RMB'000
Listed equity investments, at fair value	498	349
Unlisted equity investments, at fair value	466,640	466,640
Asset-backed securities, at fair value (Note 3 (3) (iii))	–	11,400
Investments in funds, at fair value	328,788	221,915
	795,926	700,304
Less: Current portion	(498)	(11,749)
	795,428	688,555

24. Finance lease receivables

	2022 RMB'000	2021 RMB'000
Finance lease receivables	22,596	27,063
Less: Unearned finance income	(409)	(745)
Net finance lease receivables	22,187	26,318
Less: Provision for impairment	(12,547)	(12,587)
Less: Current portion	(3,778)	(1,915)
	5,862	11,816

25. Financial instruments by category

At 31 December 2022

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit and loss RMB'000	Equity investments at fair value through other comprehensive income RMB'000	Debt investments at fair value through other comprehensive income RMB'000	Total RMB'000
Financial assets included in other non-current assets	2,315,710	–	–	–	2,315,710
Equity investments designated at fair value through other comprehensive income	–	–	57,381	–	57,381
Financial assets at fair value through profit and loss (Note 23)	–	795,926	–	–	795,926
Finance lease receivables (Note 24)	9,640	–	–	–	9,640
Trade and bills receivables (Note 29)	158,573,888	–	–	11,179,244	169,753,132
Contract assets (Note 30)	1,447,162	–	–	–	1,447,162
Financial assets included in prepayments, other receivables and other assets	6,953,005	–	–	–	6,953,005
Pledged deposits and cash (Note 32)	12,037,999	–	–	–	12,037,999
Cash and cash equivalents (Note 32)	55,221,624	–	–	–	55,221,624
	236,559,028	795,926	57,381	11,179,244	248,591,579

	Financial liabilities at amortised cost RMB'000
Interest-bearing bank and other borrowings (Note 33)	64,747,679
Trade and bills payables (Note 34)	137,085,061
Dividends payable (Note 15)	255,386
Lease liabilities (Note 16(b))	4,842,507
Financial liabilities included in accruals and other payables	26,277,736
Financial liabilities included in other non-current liabilities (Note 38)	50,260
	233,258,629

25. Financial instruments by category (continued)

At 31 December 2021

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit and loss RMB'000	Equity investments at fair value through other comprehensive income RMB'000	Debt investments at fair value through other comprehensive income RMB'000	Total RMB'000
Financial assets included in other non-current assets	2,324,227	–	–	–	2,324,227
Equity investments designated at fair value through other comprehensive income	–	–	81,045	–	81,045
Financial assets at fair value through profit and loss (Note 23)	–	700,304	–	–	700,304
Finance lease receivables (Note 24)	13,731	–	–	–	13,731
Trade and bills receivables (Note 29)	162,876,374	–	–	8,513,229	171,389,603
Contract assets (Note 30)	1,184,017	–	–	–	1,184,017
Financial assets included in prepayments, other receivables and other assets	5,505,905	–	–	–	5,505,905
Pledged deposits and cash (Note 32)	9,694,529	–	–	–	9,694,529
Cash and cash equivalents (Note 32)	43,529,428	–	–	–	43,529,428
	225,128,211	700,304	81,045	8,513,229	234,422,789

	Financial liabilities at amortised cost RMB'000
Interest-bearing bank and other borrowings (Note 33)	63,570,330
Trade and bills payables (Note 34)	128,431,227
Dividends payable (Note 15)	246,214
Lease liabilities (Note 16(b))	4,797,916
Financial liabilities included in accruals and other payables	22,197,397
Financial liabilities included in other non-current liabilities (Note 38)	174,150
	219,417,234

26. Deferred income tax

	2022 RMB'000	2021 RMB'000
Deferred tax assets	**1,979,743**	1,787,093
Deferred tax liabilities	**(936,744)**	(1,022,792)
	1,042,999	764,301

The movements in deferred tax assets and liabilities are as follows:

Deferred tax assets

	Employee benefit obligations RMB'000	Impairment provision for assets RMB'000	Unrealised profits RMB'000	Tax losses RMB'000	Lease liabilities RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	199,131	699,060	25,124	46,970	48,139	583,236	1,601,660
Acquisition of subsidiaries	–	1,089	–	–	178	–	1,267
Credited to the consolidated statement of profit or loss	(4,577)	109,839	5,212	26,597	15,531	30,441	183,043
Credited to other comprehensive income	2,841	–	–	–	–	–	2,841
Disposal of subsidiaries and disposals in connection with asset restructuring	–	(8)	–	–	–	(1,710)	(1,718)
At 31 December 2021	197,395	809,980	30,336	73,567	63,848	611,967	1,787,093
(Charged)/credited to the consolidated statement of profit or loss	**(23,617)**	**104,778**	**4,633**	**36,747**	**8,058**	**60,751**	**191,350**
Credited to other comprehensive income	**3,647**	**–**	**–**	**–**	**–**	**–**	**3,647**
Disposal of subsidiaries	**–**	**(1,763)**	**–**	**(584)**	**–**	**–**	**(2,347)**
At 31 December 2022	**177,425**	**912,995**	**34,969**	**109,730**	**71,906**	**672,718**	**1,979,743**

26. Deferred income tax (continued)

Deferred tax liabilities

	Fair value adjustments on assets relating to business combinations RMB'000	Fair value gains on equity investments at fair value through profit and loss RMB'000	Fair value gains on equity investments at fair value through other comprehensive income RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	985,779	6,523	12,183	107,257	1,111,742
Acquisition of subsidiaries	28,083	–	–	–	28,083
Credited/(charged) to the consolidated statement of profit or loss	(115,518)	(6,084)	–	5,817	(115,785)
Charged to other comprehensive income	–	–	(1,248)	–	(1,248)
At 31 December 2021	898,344	439	10,935	113,074	1,022,792
Credited/(charged) to the consolidated statement of profit or loss	**(71,620)**	**7,094**	**–**	**(5,582)**	**(70,108)**
Charged to other comprehensive income	**–**	**–**	**(3,388)**	**–**	**(3,388)**
Disposal of subsidiaries	**(12,549)**	**–**	**–**	**(3)**	**(12,552)**
At 31 December 2022	**814,175**	**7,533**	**7,547**	**107,489**	**936,744**

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable. Based on the above principle, the Group did not recognise deferred tax assets of approximately RMB82,771,000 (2021: RMB92,146,000) in respect of tax losses amounting to approximately RMB331,084,000 (2021: RMB368,584,000). As at 31 December 2022, these unrecognised tax losses amounting to RMB26,487,000, RMB52,726,000, RMB48,472,000, RMB46,573,000 and RMB156,826,000 will expire in 2023,2024,2025,2026 and 2027 respectively.

27. Other non-current assets

	2022 RMB'000	2021 RMB'000
Long-term deposits	**1,748,156**	1,942,122
Contract assets	**450,062**	387,725
Instalment sales	**667,468**	475,039
Others	**405,209**	360,991
	3,270,895	3,165,877
Impairment	**(84,629)**	(46,730)
	3,186,266	3,119,147

The movements in the loss allowance for impairment of non-current assets are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	**46,730**	8,008
Provision for impairment, net (Note 8)	**37,899**	38,722
At end of year	**84,629**	46,730

28. Inventories

	2022 RMB'000	2021 RMB'000
Raw materials	**269,400**	185,502
Work in progress	**31,906**	29,913
Finished goods and trading merchandise	**60,859,940**	51,518,785
	61,161,246	51,734,200
Less: Provision for impairment	**(235,415)**	(234,575)
	60,925,831	51,499,625

28. Inventories (continued)

The cost of inventories included in cost of sales amounted to RMB502,612,168,000 (2021: RMB475,071,454,000) (Note 10).

Movements in provision for impairment of inventories are as follows:

	2022 RMB'000	2021 RMB'000
At 1 January	**234,575**	236,341
Acquisition of subsidiaries	**30**	298
Provision for the year (Note 10)	**21,408**	30,434
Write-off for the year	**(20,598)**	(32,498)
At 31 December	**235,415**	234,575

29. Trade and bills receivables

	2022 RMB'000	2021 RMB'000
Trade receivables	**155,578,573**	161,397,269
Bills receivable	**17,248,559**	12,688,236
	172,827,132	174,085,505
Less: Provision for impairment	**(3,074,000)**	(2,695,902)
	169,753,132	171,389,603

The fair value of trade and bills receivables approximates to their carrying amount.

Retail sales of pharmacy stores are generally made in cash or by debit or credit cards. For all other businesses, like pharmaceutical distribution, medical devices distribution and production and sales of pharmaceutical manufacturing businesses etc., sales are made on credit terms ranging from 30 to 210 days. The ageing analysis of trade receivables, based on the invoice date and net of provisions, as at the end of the reporting period, is as follows:

29. Trade and bills receivables (continued)

	2022 RMB'000	2021 RMB'000
Within 1 year	**147,857,116**	155,827,980
1 to 2 years	**4,045,001**	2,296,149
Over 2 years	**682,725**	618,576
	152,584,842	158,742,705

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade and bills receivables. To measure the expected credit losses, these receivables have been grouped based on shared credit risk characteristics and the ageing from billing. See Note 3 (1)(iii) and Note 4 (4) for further information about expected credit loss provision.

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	**2,695,902**	2,270,882
Acquisition of subsidiaries	**38**	4,802
Provision for impairment, net (Note 8)	**393,902**	428,185
Disposal of subsidiaries	**(11,633)**	–
Amount written off as uncollectible	**(4,209)**	(7,967)
At end of year	**3,074,000**	2,695,902

The maximum exposure to credit risk as at 31 December 2022 was the carrying value of each category of receivables mentioned above and in Note 31.

As at 31 December 2022, bills receivable of RMB121,964,000 (2021: RMB684,104,000) and trade receivable of RMB1,972,621,000 (2021: RMB1,426,548,000) were pledged as collateral for the Group's bank borrowings.

As at 31 December 2022, bills receivable of RMB270,427,000 (2021: RMB225,011,000) were pledged as collateral for the Group's bills payable.

29. Trade and bills receivables (continued)

As at 31 December 2022, outstanding trade receivables of RMB59,585,086,000 (2021: RMB32,501,098,000) were derecognised under the trade receivables factoring programs without recourse. The ageing of these derecognised trade receivables was basically within one year. As at 31 December 2022, the collection of such trade receivables on behalf of banks amounting to RMB6,047,315,000 (2021: RMB3,298,853,000) and the collection of such trade receivables on behalf of related parties amounting to RMB1,484,315,000 (2021: RMB1,136,794,000) was recorded in other payables (Note 36).

30. Contract assets

	2022 RMB'000	2021 RMB'000
Contract asset arising from:		
Sale of goods	1,535,760	1,234,634
Less: Provision for impairment	(88,598)	(50,617)
	1,447,162	1,184,017

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. The contract assets are transferred to trade receivables when the rights become unconditional other than passage of time.

The movements in the loss allowance for impairment of contract assets are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	50,617	33,030
Provision for impairment (Note 8)	37,981	17,587
At end of year	88,598	50,617

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for contract assets. To measure the expected credit losses, these receivables have been grouped based on shared credit risk characteristics and the ageing from billing. See Note 3 (1)(iii) and Note 4 (4) for further information about expected credit loss provision.

The expected timing of recovery or settlement for contract assets as at 31 December 2022 was mainly within one year.

31. Prepayments, other receivables and other assets

	2022 RMB'000	2021 RMB'000
Prepayments	**11,708,477**	6,844,520
Value-added tax recoverable	**509,850**	819,269
Deposits	**3,198,765**	2,811,531
Staff advances	**54,352**	47,243
Amounts due from related parties (Note 46)		
– other receivables	**117,300**	90,037
– prepayments	**525,983**	210,121
Purchase rebate	**1,140,257**	643,339
Other receivables	**3,430,525**	2,621,462
	20,685,509	14,087,522
Less: Provision for impairment	**(669,151)**	(476,247)
	20,016,358	13,611,275

The movements in the loss allowance for impairment of prepayments, other receivables and other assets are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	**476,247**	375,922
Impairment losses (Note 8)	**196,725**	101,617
Amount written off as uncollectible	**(3,821)**	(1,292)
At end of year	**669,151**	476,247

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

32. Pledged deposits and restricted cash, and cash and cash equivalents

	2022 RMB'000	2021 RMB'000
Pledged deposits and restricted cash		
Pledged bank deposits	10,445,309	9,681,085
Restricted cash (i)	1,487,602	–
Bank deposits with an initial term of over three months	105,088	13,444
	12,037,999	9,694,529
Cash and cash equivalents		
– Cash on hand	12,973	8,793
– Cash in banks	52,866,076	41,174,868
– Cash in other financial institutions (Note 46)	2,342,575	2,345,767
	55,221,624	43,529,428
Pledged deposits and restricted cash, and cash and cash equivalents		
Denominated in		
– RMB	67,022,960	52,906,325
– USD	202,869	182,220
– EUR	23,091	49,680
– HKD	1,234	57,612
– Others	9,469	28,120
	67,259,623	53,223,957

(i) The restricted cash balance was mainly caused by escrow account arrangement with certain customers and designated banks.

Bank deposits are pledged as collateral for the following:

	2022 RMB'000	2021 RMB'000
Bank acceptance notes	9,498,566	8,887,763
Letters of credit	296,245	301,895
Letters of guarantee	408,262	192,093
Others	242,236	299,334
	10,445,309	9,681,085

32. Pledged deposits and restricted cash, and cash and cash equivalents

(continued)

The maximum exposure to credit risk as at 31 December 2022 and 2021 approximated to the carrying values of pledged deposits and restricted cash, and cash and cash equivalents.

RMB is not a freely convertible currency in the international market. The conversion of RMB into foreign currencies and the remittance of RMB out of the PRC are subject to the rules and regulations of foreign exchange controls promulgated by the PRC authorities.

The effective interest rate of bank deposits in banks and other financial institutions is as follows:

	2022	2021
Weighted average effective interest rate (per annum)	1.15%	0.93%

33. Interest-bearing bank and other borrowings

	2022 RMB'000	2021 RMB'000
Non-current		
Unsecured bank borrowings	7,751,898	1,690,766
Unsecured borrowings from other financial institutions and related parties	838	32,794
Bonds (Notes)	3,997,697	6,695,120
	11,750,433	8,418,680
Current		
Secured bank borrowings	2,115,655	1,808,890
Unsecured bank borrowings	34,613,623	35,525,429
Unsecured borrowings from other financial institutions and related parties	5,668,372	10,327,559
Secured borrowings from other financial institutions and related parties	488,997	357,616
Bonds (Notes)	10,110,599	7,132,156
	52,997,246	55,151,650
Total borrowings	64,747,679	63,570,330
The carrying amounts of the Group's borrowings are denominated in the following currencies:		
– RMB	64,737,629	63,549,121
– EUR	10,050	–
– USD	–	21,209
	64,747,679	63,570,330

33. Interest-bearing bank and other borrowings (continued)

Notes:

On 26 October 2017, the Company completed the issuance of the first tranche of the corporate bonds with an aggregate nominal value of RMB1,000,000,000. The corporate bonds will expire on 26 October 2022, for a period of five years commencing from the issue date of 26 October 2017. The Company has the right for early redemption at the end of the third year, i. e.,26 October 2020. The annual interest rate of the corporate bonds for the first three years is fixed at 4.80%. Interest is paid on an annual basis. The Company exercised its early redemption right and repurchased bonds of RMB10,000,000 in 2020. As at 31 December 2022, the corporate bonds matured and were repaid in 2022.

On 5 September 2019, the Company completed the issuance of the first tranche of the corporate bonds with an aggregate nominal value of RMB4,000,000,000. The corporate bonds will expire on 5 September 2022, for a period of three years commencing from the issue date of 5 September 2019. The annual interest rate of the corporate bonds is fixed at 3.53%. Interest is paid on an annual basis. As at 31 December 2022, the corporate bonds matured and were repaid in 2022.

On 29 July 2020, the Company completed the issuance of the first tranche of the corporate bonds with an aggregate nominal value of RMB2,700,000,000. The corporate bonds will expire on 28 July 2023, for a period of three years commencing from the issue date of 29 July 2020. The annual interest rate of the corporate bonds is fixed at 3.27%. Interest is paid on an annual basis. Investors have the right to sell back their bonds to the Company at the end of the second year. As at 31 December 2022 the corporate bond were sold back in the amount of RMB1,713,000,000 and the remaining RMB987,000,000 was classified as current liabilities.

On 4 February 2021, the Company completed the issuance of the first tranche of the corporate bonds with an aggregate nominal value of RMB1,000,000,000. The corporate bonds will expire on 4 February 2024, for a period of three years commencing from the issue date of 4 February 2021. The annual interest rate of the corporate bonds is fixed at 3.65%. Interest is paid on an annual basis. As at 31 December 2022, the corporate bonds were classified as non-current liabilities.

On 3 November 2021, the Company completed the issuance of the first tranche of the corporate bonds with an aggregate nominal value of RMB3,000,000,000. The corporate bonds will expire on 3 November 2024, for a period of three years commencing from the issue date of 3 November 2021. The annual interest rate of the corporate bonds is fixed at 3.20%. Interest is paid on an annual basis. As at 31 December 2022, the corporate bonds were classified as non-current liabilities.

On 22 November 2021, the Company issued 20,000,000 units of bonds at a total par value of RMB2,000,000,000. After deduction of the expenses of approximately RMB1,283,600 in relation to the issuance, the total net proceeds were approximately RMB1,998,716,400. The bonds will mature 180 days from the issue date (i. e.,21 May 2022), and the annual interest rate was 2.73%. As at 31 December 2022, the corporate bonds matured and were repaid in 2022.

33. Interest-bearing bank and other borrowings (continued)

Notes: (continued)

On 10 February 2022, the Company issued 30,000,000 units of bonds at a total par value of RMB3,000,000,000. After deduction of the expenses of approximately RMB1,904,000 in relation to the issuance, the total net proceeds were approximately RMB2,998,096,000. The bonds will mature 180 days from the issue date (i. e.,9 August 2022), and the annual interest rate was 2.28%. As at 31 December 2022, the corporate bonds matured and were repaid in 2022.

On 19 May 2022, the Company issued 20,000,000 units of bonds at a total par value of RMB2,000,000,000. After deduction of the expenses of approximately RMB1,304,000 in relation to the issuance, the total net proceeds were approximately RMB1,998,696,000. The bonds will mature 180 days from the issue date (i. e.,15 November 2022), and the annual interest rate was 2.00%. As at 31 December 2022, the corporate bonds matured and were repaid in 2022.

On 5 August 2022, the Company issued 30,000,000 units of bonds at a total par value of RMB3,000,000,000. After deduction of the expenses of approximately RMB1,904,000 in relation to the issuance, the total net proceeds were approximately RMB2,998,096,000. The bonds will mature 180 days from the issue date (i. e.,1 February 2023), and the annual interest rate was 1.80%. As at 31 December 2022, the corporate bonds were classified as current liabilities.

On 19 August 2022, the Company issued 30,000,000 units of bonds at a total par value of RMB3,000,000,000. After deduction of the expenses of approximately RMB2,804,000 in relation to the issuance, the total net proceeds were approximately RMB2,997,196,000. The bonds will mature 270 days from the issue date (i. e.,16 May 2023), and the annual interest rate was 1.85%. As at 31 December 2022, the corporate bonds were classified as current liabilities.

On 5 September 2022, the Company issued 30,000,000 units of bonds at a total par value of RMB3,000,000,000. After deduction of the expenses of approximately RMB1,904,000 in relation to the issuance, the total net proceeds were approximately RMB2,998,096,000. The bonds will mature 180 days from the issue date (i. e.,4 March 2023), and the annual interest rate was 1.70%. As at 31 December 2022, the corporate bonds were classified as current liabilities.

On 12 October 2022, the Company issued 20,000,000 units of bonds at a total par value of RMB2,000,000,000. After deduction of the expenses of approximately RMB630,667 in relation to the issuance, the total net proceeds were approximately RMB1,999,369,333. The bonds will mature on 30 December 2022, and the annual interest rate was 1.70%. As at 31 December 2022, the corporate bonds matured and were repaid in 2022.

All proceeds from the issuance of the above bonds are used to supplement the Group's working capital and repaying bank borrowings and debentures.

33. Interest-bearing bank and other borrowings (continued)

At the end of respective reporting periods, borrowings were repayable as follows:

	Borrowings from banks or other financial institutions		Bonds	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**42,886,646**	48,019,494	**10,110,599**	7,132,156
Between 1 and 2 years	**7,117,505**	1,668,740	**3,997,697**	2,698,526
Between 2 and 5 years	**635,232**	54,820	**–**	3,996,594
	50,639,383	49,743,054	**14,108,296**	13,827,276

All of the Group's borrowings from banks or other financial institutions are at floating rates as follows:

	2022	2021
Weighted average effective interest rate (per annum)	**2.94%**	3.39%

As at 31 December 2022, secured bank borrowings amounting to RMB38,069,000 were guaranteed by third parties (31 December 2021: RMB68,887,000). The collateral for the rest of the Group's secured bank borrowings is as follows:

	2022	2021
	RMB'000	RMB'000
Property, plant and equipment (Note 18)	**20,384**	17,008
Investment properties (Note 17)	**12**	16
Right-of-use assets (Note 16)	**7,139**	7,295
Bills receivable (Note 29)	**121,964**	684,104
Trade receivables (Note 29)	**1,972,621**	1,426,548
	2,122,120	2,134,971

At the end of respective reporting periods, the fair value of the current borrowings approximates to their carrying amount. The carrying amounts and fair values of the non-current borrowings refer to Note 3 (4).

The fair values of the current borrowings equal to their carrying amounts, as the impact of discounting is not significant. The fair values are based on discounted cash flows using a rate based on the borrowing rate of 2.96% (2021: 3.34%) and are within Level 2 of the fair value hierarchy.

34. Trade and bills payables

	2022 RMB'000	2021 RMB'000
Trade payables	**99,451,067**	91,836,652
Bills payable	**37,633,994**	36,594,575
	137,085,061	128,431,227

The trade and bills payables are non-interest-bearing and are normally settled on 90-day terms. The fair value of trade payables approximates to their carrying amount.

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 RMB'000	2021 RMB'000
Within 3 months	**98,405,927**	96,353,160
Between 3 and 6 months	**20,372,122**	20,324,578
Between 6 months and 1 year	**9,066,377**	8,121,952
Between 1 and 2 years	**7,104,143**	2,199,483
Over 2 years	**2,136,492**	1,432,054
	137,085,061	128,431,227

The Group's trade and bills payables are denominated in the following currencies:

	2022 RMB'000	2021 RMB'000
RMB	**137,081,555**	128,347,607
USD	**–**	79,941
EUR	**221**	2,067
JPY	**3,285**	1,612
	137,085,061	128,431,227

The Group has accounts payable financing program with certain banks whereby the banks repaid accounts payable on behalf of the Group with an equivalent sum drawn as borrowings. Such drawdown of borrowings is a non-cash transaction while repayment of the borrowings in cash is accounted for as financing cash outflows.

34. Trade and bills payables (continued)

During the year ended 31 December 2022, accounts payable of RMB577,016,000 (2021: RMB2,936,445,000) were repaid by the banks under this program with the equivalent amount drawn as borrowings. As at 31 December 2022, the balance of bank borrowings related to this program was RMB458,739,000 (2021: RMB513,435,000).

35. Contract Liabilities

	2022 RMB'000	2021 RMB'000
Non-current		
– Amounts received in advance of delivery of products and services	44,934	24,271
– Loyalty program	51,484	32,479
Current		
– Amounts received in advance of delivery of products and services	10,396,326	6,085,953
	10,492,744	6,142,703

36. Accruals and other payables

	2022 RMB'000	2021 RMB'000
Accrual of operating expenses	3,843,321	3,523,701
Collection of trade receivables on behalf of banks under factoring programs (Note 29)	6,047,315	3,298,853
Collection of trade receivables on behalf of related parties under factoring programs (Note 29, Note 46)	1,484,315	1,136,794
Salary and welfare payable	2,969,846	2,781,122
Other deposits	7,712,374	8,119,576
Taxes payable other than income tax	1,575,418	1,394,404
Interest payable due to third parties	1,122,197	599,041
Interest payable due to related parties (Note 46)	60,688	56,018
Other payables due to related parties (Note 46)	87,815	105,226
Payables arising from acquisition of subsidiaries and contingent consideration	312,500	612,321
Payables arising from acquisition of non-controlling interests	26,473	34,323
Collection on behalf of asset-backed securities	–	29,764
Others	5,647,471	4,538,612
	30,889,733	26,229,755

36. Accruals and other payables (continued)

The fair value of financial liabilities included in accruals and other payables approximates to their carrying amount.

37. Post-employment benefit obligations

The table below shows the Group's post-employment amounts and activities included in the financial statements:

	2022 RMB'000	2021 RMB'000
Obligations for post-employment benefits in the consolidated statement of financial position	**380,713**	387,697
Charge for post-employment benefits in the consolidated statement of profit or loss	**17,264**	19,034
Remeasurement gains recognised in other comprehensive income (Note 13)	**14,125**	11,784
Cumulative remeasurement losses recognised in other comprehensive income	**167,776**	153,651

The amounts recognised in the consolidated statement of financial position are analysed as follows:

	2022 RMB'000	2021 RMB'000
Present value of funded obligations	**33,900**	35,570
Fair value of plan assets	**(118,929)**	(118,974)
Surplus of funded plans	**(85,029)**	(83,404)
Present value of unfunded post-employment benefit obligations	**465,742**	471,101
Liability in the consolidated statement of financial position	**380,713**	387,697

37. Post-employment benefit obligations (continued)

The movements in the defined benefit liability during the period were as follows:

	Present value of obligation RMB'000	Fair value of plan assets RMB'000	Total RMB'000
At 1 January 2022	506,671	(118,974)	387,697
Current service cost	3,390	–	3,390
New entity	1,244	–	1,244
Past service cost	1,583	–	1,583
Interest expense (Note 12)	14,090	(3,043)	11,047
	20,307	(3,043)	17,264
Remeasurements:			
– Return on plan assets, excluding amounts included in interest income	–	3,788	3,788
– Gains from change in financial assumptions	10,337	–	10,337
	10,337	3,788	14,125
Contributions:			
– Employers	–	(2,510)	(2,510)
Payments:			
– Benefit payments	(37,673)	1,810	(35,863)
At 31 December 2022	499,642	(118,929)	380,713

37. Post-employment benefit obligations (continued)

	Present value of obligation RMB'000	Fair value of plan assets RMB'000	Total RMB'000
At 1 January 2021	506,806	(110,389)	396,417
Current service cost	4,636	–	4,636
Past service cost	2,659	–	2,659
Interest expense (Note 12)	15,331	(3,592)	11,739
	22,626	(3,592)	19,034
Remeasurements:			
– Return on plan assets, excluding amounts included in interest income	–	(4,665)	(4,665)
– Gains from change in financial assumptions	16,449	–	16,449
	16,449	(4,665)	11,784
Contributions:			
– Employers	–	(2,129)	(2,129)
Payments:			
– Benefit payments	(39,210)	1,801	(37,409)
At 31 December 2021	506,671	(118,974)	387,697

The significant actuarial assumptions are as follows:

	2022	2021
Discount rate	**3.00%**	3.00%
Pension growth rate	**6.00%**	5.00%

Mortality: Average life expectancy of residents in Mainland China

37. Post-employment benefit obligations (continued)

The sensitivity of the defined benefit obligations to changes in the weighted principal assumptions is:

	Impact on defined benefit obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 2.66%	Increase by 2.79%
Pension growth rate	0.50%	Increase by 0.92%	Decrease by 0.83%

The Group engaged an independent actuary, Towers Watson (Shenzhen) Consulting Co., Ltd., to estimate the present value of its above retirement benefit plan(the plan is funded by the group)obligations using the actuarial method based on the expected cumulative welfare unit method. Towers Watson (Shenzhen) Consulting Co., Ltd. is an actuarial institution with professional certification qualifications and a member of the American Academy of Actuaries. The undersigned actuary, Haichuan Wu, is member of the Society of Actuaries and China Association of Actuaries.

As at 31 December 2022, fair value of the plan asset was RMB118,929,000 (31 December 2021: RMB118,974,000). As at 31 December 2022, obligations under these defined benefit plans are 24.70% (31 December 2021: 24.34%) covered by the plan assets. No material surplus or deficiency was noted for the above mentioned plan assets.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, such change is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions, the same method (present value of the defined benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been used for calculating the defined benefit obligations recognised in the consolidated statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

Expected maturity analysis of undiscounted post-employments benefits:

At 31 December 2022	Less than 1 year RMB'000	Between 1 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Post-employment benefits	39,627	130,026	604,355	774,008

38. Other non-current liabilities

	2022 RMB'000	2021 RMB'000
Medical reserve funds		
– general (i)	**2,288,815**	2,568,075
– for H1N1 vaccines	**581,358**	66,407
Government grants for construction of logistics centres (ii)	**80,874**	86,500
Other government grants	**316,555**	319,490
Payment for purchase of non-controlling interests	**11,100**	–
Payables for acquisition of subsidiaries	**39,160**	174,150
Others	**54,257**	101,426
	3,372,119	3,316,048

(i) Certain medical reserve funds were mainly received by CNPGC from the PRC government for the State reserve requirements of medical products (including medicines) for serious disasters, epidemics and other emergencies. In accordance with a responsibility letter dated 4 January 2006 signed between CNPGC and the Company, CNPGC has re-allocated the funds in relation to medicines to the Group. The Group received general medical reserve funds of RMB473,003,000 during the year ended 31 December 2022 from CNPGC.

The Group will have to sell pharmaceutical products to specific customers at cost when there are serious disasters, epidemic or other emergencies, and the relevant trade receivables from certain of these customers will be offset with the balance of the fund upon approval from CNPGC and the relevant PRC government authorities. RMB752,263,000 was written off with the government's approval due to the expiry of relevant medicines during the year ended 31 December 2022 (2021: RMB775,442,000). The Group is required to maintain certain inventories at a level of not less than 70% of the general reserve funds. The medical reserve funds are required to be utilised only for the uses as mentioned above.

(ii) Certain of the Group's subsidiaries received funds from local governments as subsidies for construction of logistics centres. As at 31 December 2022, the directors expected that the construction will not be completed within one year and therefore, the balance was recorded as other non-current liability.

39. Share capital

	Number of shares RMB'000	Domestic shares with par value of RMB1 per share RMB'000	H shares with par value of RMB1 per share RMB'000	Total RMB'000
As at 1 January 2022 and As 31 December 2022	3,120,656	1,778,845	1,341,811	3,120,656

40. Reserves

	Notes	Share premium RMB'000	Statutory reserves RMB'000	Revaluation of equity investments designated at fair value through other comprehensive income RMB'000	Other reserves Note (c) RMB'000	Retained earnings Note (b) RMB'000	Total RMB'000
At 1 January 2022		24,641,485	1,787,155	20,485	(4,408,552)	36,728,624	58,769,197
Profit for the year		–	–	–	–	8,525,655	8,525,655
Changes in fair value of equity investments at fair value through other comprehensive income							
– gross		–	–	(4,357)	–	–	(4,357)
– tax		–	–	1,089	–	–	1,089
Remeasurement on post-employment benefit obligations							
– gross		–	–	–	(13,092))	–	(13,092)
– tax		–	–	–	3,381	–	3,381
Exchange differences on translation of foreign operations		–	–	–	8,567	–	8,567
Share of other comprehensive income of associates		–	–	–	3,190	–	3,190
Dividend declared		–	–	–	–	(2,340,492)	(2,340,492)
Effects of transactions with non-controlling interests	44	–	–	–	(1,738)	–	(1,738)
Share of changes in equity other than comprehensive income and distributions received from associates		–	–	–	(8,803)	–	(8,803)
Others		–	–	–	9,253	(109)	9,144
At 31 December 2022		24,641,485	1,787,155	17,217	(4,407,794)	42,913,678	64,951,741

40. Reserves (continued)

	Notes	Share premium RMB'000	Statutory reserves RMB'000	Revaluation of equity investments designated at fair value through other comprehensive income RMB'000	Other reserves Note (c) RMB'000	Retained earnings Note (b) RMB'000	Total RMB'000
At 1 January 2021		24,641,485	1,511,540	22,655	(4,330,248)	31,396,595	53,242,027
Profit for the year		–	–	–	–	7,758,646	7,758,646
Changes in fair value of equity investments at fair value through other comprehensive income							
– gross		–	–	(2,894)	–	–	(2,894)
– tax		–	–	724	–	–	724
Remeasurement on post-employment benefit obligations							
– gross		–	–	–	(10,208)	–	(10,208)
– tax		–	–	–	2,455	–	2,455
Exchange differences on translation of foreign operations		–	–	–	3,722	–	3,722
Share of other comprehensive income of associates		–	–	–	(2,079)	–	(2,079)
Appropriation to statutory reserves	(a)	–	275,615	–	–	(275,615)	–
Dividend declared		–	–	–	–	(2,153,253)	(2,153,253)
Effects of transactions with non-controlling interests	44	–	–	–	(96,048)	–	(96,048)
Share of changes in equity other than comprehensive income and distributions received from associates		–	–	–	19,304	–	19,304
Share of changes in equity other than comprehensive income and distributions received from joint ventures		–	–	–	862	–	862
Others		–	–	–	3,688	2,251	5,939
At 31 December 2021		24,641,485	1,787,155	20,485	(4,408,552)	36,728,624	58,769,197

40. Reserves (continued)

(a) PRC laws and regulations require companies registered in the PRC to maintain certain statutory reserves, which are to be appropriated from the retained earnings (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before distributing retained earnings to their shareholders. Statutory reserves are created for specific purposes. In accordance with the Company Law, PRC companies are required to appropriate 10% of the net profits to statutory surplus reserves. A company may discontinue the appropriation when the balance of its statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the companies or to increase capital of the companies. In addition, a company may make further contribution to a discretionary surplus reserve based on a resolution of the board of directors.

(b) Retained earnings as at 31 December 2022 included the proposed final dividend of RMB2,558,938,000 (2021: RMB2,340,492,000).

(c) Other reserves mainly represent reserves for transactions with non-controlling interests, remeasurement on post-employment benefit obligations.

41. Notes to the consolidated statement of cash flows

(a) Cash generated from operating activities

	2022 RMB'000	2021 RMB'000
Profit before income tax	18,563,819	17,003,162
Adjustments for:		
– Share of profits and losses of associates (Note 21)	(1,064,155)	(1,069,173)
– Share of profits and losses of joint ventures	(2,912)	(695)
– Asset impairment	729,814	1,228,796
– Depreciation of property, plant and equipment and investment properties	1,785,142	1,669,610
– Amortisation of intangible assets (Note 10)	390,661	381,673
– Depreciation of right-of-use assets (Note 10)	1,989,216	1,870,775
– Gain on disposal of investment properties, property, plant and equipment and intangible assets (Note 9)	(17,217)	(1,709)
– Gain on disposal of non-current assets held for sale	–	(37,534)
– Gain on disposal of right-of-use assets (Note 9)	(22,265)	(25,144)
– Write-back of certain liabilities (Note 9)	(97,806)	(88,713)
– Loss on disposal of financial assets measured at amortised cost	1,765,217	964,273
– Negative goodwill	–	(4,142)
– Finance costs	3,437,400	3,662,984
– (Loss)/gain on disposal of subsidiaries (Notes 9&43)	36,376	(1,479)
– Loss on disposal of an investment accounted for the equity method (Note 9)	(30,479)	(1,639)
– Fair value gains/(loss) on financial assets at fair value through profit or loss (Note 9)	(13,184)	(35,521)
– Dividend from financial assets at fair value through profit or loss (Note 9)	(12,516)	(31,038)
– Dividend from financial assets at fair value through other comprehensive income (Note 9)	(535)	(947)
	27,436,576	25,483,539
– Inventories	(9,504,224)	(4,345,332)
– Trade and bills receivables	1,011,665	(26,226,711)
– Contract assets	(301,542)	(490,490)
– Prepayments, other receivables and other assets	(7,504,012)	125,898
– Trade and bills payables	8,315,050	19,804,678
– Contract liabilities	4,314,487	(1,264,739)
– Accruals, other payables and other liabilities	1,594,875	295,363
Cash generated from operating activities	25,362,875	13,382,206

41. Notes to the consolidated statement of cash flows (continued)

(b) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB2,376,408,000 and RMB2,237,660,000, respectively, in respect of lease arrangements for plant and equipment (2021: RMB2,372,380,000 and RMB2,272,130,000).

(c) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings RMB'000	Finance lease payables/lease liabilities RMB'000	Other liabilities RMB'000	Non-controlling interests RMB'000
At 1 January 2022	63,570,330	4,797,916	655,059	37,767,920
Total comprehensive income attribute to non-controlling interests	–	–	–	5,814,963
Interest expense	–	199,303	3,342,562	–
Losses on derecognition of financial assets measured at amortised cost	–	–	1,765,217	–
Capitalised interest expense	–	–	(21,538)	–
Covid-19-related rent concessions from lessors	–	(6,263)	–	–
Effects of transactions with non-controlling interests	–	–	–	(29,992)
Disposal of subsidiaries	–	(1,199)	–	(64,499)
Business combination not under common control	5,000	–	–	–
Trade payable financing program	(509,345)	–	–	–
New leases	–	2,237,660	–	–
Lease termination	–	(360,827)	–	–
Changes from financing cash flows	1,679,346	(2,024,083)	(4,578,630)	(1,449,959)
Changes from operating, investing and non-cash activities	2,348	–	20,215	(37,802)
At 31 December 2022	64,747,679	4,842,507	1,182,885	42,000,631

41. Notes to the consolidated statement of cash flows (continued)

(c) Changes in liabilities arising from financing activities (continued)

	Interest-bearing bank and other borrowings RMB'000	Finance lease payables/lease liabilities RMB'000	Other liabilities RMB'000	Non-controlling interests RMB'000
At 1 January 2021	63,877,680	4,649,150	517,414	33,588,476
Total comprehensive income attribute to non-controlling interests	–	–	–	5,302,705
Interest expense	–	195,670	3,576,714	–
Losses on derecognition of financial assets measured at amortised cost	–	–	964,273	–
Capitalised interest expense	–	–	(15,549)	–
Covid-19-related rent concessions from lessors	–	(4,132)	–	–
Effects of transactions with non-controlling interests	–	–	–	(47,778)
Disposal of subsidiaries	–	–	–	(5,098)
Business combination not under common control	–	47,684	–	156,221
Trade payable financing program	4,100,246	–	–	–
New leases	–	2,272,130	–	–
Lease termination	–	(409,731)	–	–
Changes from financing cash flows	(4,785,374)	(1,952,855)	(4,379,453)	(1,194,797)
Changes from operating, investing and non-cash activities	377,778	–	(8,340)	(31,809)
At 31 December 2021	63,570,330	4,797,916	655,059	37,767,920

(d) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 RMB'000
Within operating activities	**666,358**
Within investing activities	**97,315**
Within financing activities	**2,024,083**
	2,787,756

42. Commitments

(a) Capital commitments

Capital expenditures at the end of the reporting period are as follows:

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	86,420	156,313
Fund investment: (i)	75,000	175,000

(i) On May 20,2021, the board of directors of the Group passed a resolution to invest Gongqingcheng Qixin Equity Investment Partnership (Limited Partnership), which is of fund business. According to the resolution, the Group should invest RMB250 million. As of 31 December 2022, the Group had totally invested RMB175 million and has a total investment commitment of RMB75 million.

In addition, the Group had no commitment provided to joint ventures (including the Group's share of commitments made jointly with other joint venturers).

(b) The Group has various lease contracts that have not yet commenced as at 31 December 2022. The future lease payments for these non-cancellable lease contracts are RMB81,536,000 (2021: RMB67,806,000) due within one year, RMB98,664,000 (2021: RMB68,115,000) due in the second to third years, inclusive and RMB105,776,000 (2021: RMB123,162,000) due after three years.

43. Disposal of subsidiaries

During the year, the Group disposed of the entities below.

Sinopharm Liaoning Medical Examination co., Ltd

Nanjing Pukang Enterprise Management Co., Ltd.

Sinopharm Holding Kunming Co., Ltd.

Sinopharm Lerentang Langfang Pharmaceutical Co. Ltd.

Sinopharm Lerentang Qinhuangdao Pharmaceutical Co. Ltd.

43. Disposal of subsidiaries (continued)

Details of the net assets disposed of are as follows:

	At date of disposal RMB'000
Net assets disposed of:	
Cash and cash equivalents	14,156
Trade and bills receivables	225,833
Contract assets	415
Prepayments, other receivables and other assets	39,204
Inventories	16,282
Property, plant and equipment	538
Righ-of-use assets	1,394
Intangible assets	50,613
Deferred tax assets	2,346
Trade and bills payables	(131,992)
Contract liabilities	(3,346)
Accruals and other payables	(23,180)
Lease liabilities	(1,199)
Deferred tax liabilities	(12,552)
Net assets	178,512
Non-controlling interests	(64,499)
Net assets attributable to the Company excluding goodwill	114,013
Goodwill	17,695
Loss on disposal of subsidiaries (Note 9)	(36,376)
Satisfied by:	
Cash	95,332

43. Disposal of subsidiaries (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	At date of disposal RMB'000
Cash consideration	95,332
Cash and cash equivalents in the subsidiaries deemed disposed of	(14,156)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	81,176

44. Transactions with non-controlling interests

(a) Acquisition of additional interests in subsidiaries

During the period, the Group acquired the following additional equity interests in the subsidiaries from the non-controlling interests:

Subsidiaries	Equity interests acquired %	Cash consideration RMB'000
Yuxi Sinopharm Pharmaceutical Co., Ltd.	9.00%	4,437
Sinopharm Equipment Jinzhou Co., Ltd.	30.00%	6,000
Sinopharm Jilin Med-tech Co., Ltd.	30.00%	6,430
China National Medical Device (Nanping) Co., Ltd	30.00%	3,392
Sinopharm Holdings Medical Technology Yantai Co., Ltd.	22.00%	2,200
Sinopharm Medical Engineering Technology (Shanghai) Co., Ltd	27.00%	2,075
China National Medical Device (Shandong) Co., Ltd	25.00%	7,196
		31,730

The effect of changes in the equity interests of these subsidiaries on the total equity attributable to owners of the parent during the period is summarised as follows:

	Effect on the total equity RMB'000
Carrying amount of non-controlling interests acquired	29,992
Consideration payable to non-controlling interests	31,730
Excess of consideration paid over the carrying amount acquired	1,738

44. Transactions with non-controlling interests (continued)

(b) Disposal of interests in subsidiaries without loss of control

During the reporting period, During the reporting period, there were no disposal of subsidiaries without loss of control.

(c) Effects of transactions with non-controlling interests on the equity attributable to owners of the parent for the twelve months ended 31 December 2022

	Effect on the total equity RMB'000
Changes in equity attributable to owners of the parent arising from:	
– Acquisition of additional interests in subsidiaries	1,738
Net effect for transactions with non-controlling interests on equity attributable to owners of the parent	1,738

45. Business combinations

Business combinations not under common control

Acquisitions during the year are as follows:

The Group acquired equity interests from third parties in certain subsidiaries which are mainly engaged in the distribution of medicines and pharmaceutical products and operations of pharmaceutical chain stores in order to expand the market share of the Group. The subsidiaries acquired by the Group during the year are as follows:

Subsidiaries acquired from third parties	Month of acquisition	Acquired interests
Sinopharm Kaifeng Xinte Co., Ltd.	July,2022	100.00%

Businesses acquired from third parties	Month of acquisition
Sinopharm Holding Taizhou Renmin Pharmacy Co., Ltd	October,2022

45. Business combinations (continued)

Business combinations not under common control (continued)

The effect of the above acquisitions is summarised as follows:

	RMB'000
– Contingent consideration (i)	5,007
– Cash paid	10,770
Total purchase consideration	15,777

The details of the assets and liabilities acquired and cash flows relating to these acquisitions are summarised as follows:

	Fair value at acquisition date RMB'000
Cash and cash equivalents	1,601
Property, plant and equipment (Note 18)	1,512
Inventories	4,328
Trade and other receivables	4,900
Trade and other payables	(4,809)
Interest-bearing bank and other borrowings	(5,000)
Total Identifiable net assets at fair value	2,532
Goodwill (Note 19)	13,245
Total purchase consideration	15,777
Less: Contingent consideration (i)	(5,007)
Cash consideration paid during the year	10,770
Cash and cash equivalents in subsidiaries acquired	(1,601)
Cash outflow on acquisition	9,169

The goodwill is attributable to the acquired human resources, economies of scale and synergy expected from combining the operations of the Group and above subsidiaries acquired but not being under common control.

45. Business combinations (continued)

Business combinations not under common control (continued)

(i) Contingent consideration

Based on certain conditions stipulated by the agreements on acquisition, the Group is required to pay contingent consideration based on the achievement of profit target of the acquirees. The maximum undiscounted contingent consideration payable is RMB5,007,000.

Based on the projected profit performance of the acquirees, the fair value of the contingent consideration arrangement was estimated to be RMB5,007,000. As at 31 December 2022, there was no adjustment to the contingent consideration arrangement.

(ii) Non-controlling interests

The Group has elected to recognise non-controlling interests measured at the non-controlling interests in the acquirees' net assets excluding goodwill.

(iii) The revenue and net profit attributable to owners of the parent of these newly acquired subsidiaries from the respective acquisition dates to 31 December 2022 are summarised as follows:

	From acquisition dates to 31 December 2022 RMB'000
Revenue	21,358
Net profit	160

(iv) The revenue and net profit of these newly acquired subsidiaries from 1 January 2022 to 31 December 2021 are summarised as follows:

	From 1 January 2022 to 31 December 2022 RMB'000
Revenue	40,022
Net profit	118

46. Significant related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The PRC government, indirectly, owns 100% of CNPGC which is the ultimate holding company of the Company. The Group's significant transactions with the PRC government and other entities controlled, jointly controlled or significantly influenced by the PRC government are a large portion of its sales of goods, purchases of goods, borrowings, interest fees paid, bill receivable discount, key management compensation and guarantees provided to related parties. The Group's significant balances with the PRC government and other entities controlled, jointly controlled or significantly influenced by the PRC government are a large portion of its trade receivables, prepayments and other receivables, trade payables and other payables, borrowings, other non-current liabilities, and cash and cash equivalents.

Beside other PRC government-related entities, the Company's directors and the Group's management consider the following entities are principal related parties of the Group with which the Group had transactions during the year.

Name of related party	Nature of relationship
China National Pharmaceutical Group Co., Ltd.	The ultimate holding company of the Company
Anhui Jingfang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Beijing Institute of Biological Products Co., Ltd.	Controlled by CNPGC
Beijing Sanoqiang Pharmaceutical Foreign Trade Co., Ltd	Controlled by CNPGC
Changhcun Keygen Biological Products Co., Ltd.	Controlled by CNPGC
Chengdu Institute of Biological Products	Controlled by CNPGC
Chengdu Rongsheng Pharmaceuticals Co., Ltd.	Controlled by CNPGC
China National Corp. of Traditional and Herbal Medicine	Controlled by CNPGC
China National Pharmaceutical Foreign Trade Co., Ltd.	Controlled by CNPGC
China National Pharmaceutical Group Sanyi Pharmaceutical (Wuhu) Co., Ltd.	Controlled by CNPGC
China National Pharmaceutical Industry Co., Ltd.	Controlled by CNPGC
China Pharmaceutical Zhongyuan (Henan) Medical Insurance Co., Ltd.	Controlled by CNPGC
China Sinopharm Healthcare Industry Company	Controlled by CNPGC
China State Institute of Pharmaceutical Industry	Controlled by CNPGC
Chongqing China Medicine Group United Engineering Company	Controlled by CNPGC
Chongqing Southwest Aluminum Hospital	Controlled by CNPGC
Chongqing Southwest Pharmaceutical Sales Co., Ltd.	Controlled by CNPGC
Chongqing Taiji Industry (Group) Co., Ltd.	Controlled by CNPGC
CNBG-Virogin Biotech (Shanghai) Co., Ltd.	Controlled by CNPGC
Foshan Winteam Pharmaceutical Co., Ltd.	Controlled by CNPGC
Fujian Chengtian Jinling Pharmaceutical Co., Ltd.	Controlled by CNPGC
Guizhou Tongjitang Pharmaceutical Co., Ltd.	Controlled by CNPGC

46. Significant related party transactions (continued)

Name of related party	Nature of relationship
Lanzhou Biotechnology Development Co., Ltd.	Controlled by CNPGC
Lanzhou Institute of Bio-products Co., Ltd.	Controlled by CNPGC
Lanzhou Lansheng Plasma-derived Biotheraples Co., Ltd.	Controlled by CNPGC
Shandong Luya Pharmaceutical Co., Ltd.	Controlled by CNPGC
Shanghai Institute of Biological Products Co., Ltd.	Controlled by CNPGC
Shanghai Institute of Bio-products Co., Ltd.	Controlled by CNPGC
Shanghai Institute of Pharmaceutical Industry	Controlled by CNPGC
Shanghai Modern Hasen (Shangqiu) Pharmaceutical Co., Ltd.	Controlled by CNPGC
Shydec Pharmaceutical Marketing Co., Ltd.	Controlled by CNPGC
Sinopac Puxin Commercial Factoring Co., Ltd.	Controlled by CNPGC
Sinopharm (Chongqing) Health Care Management Co., Ltd.	Controlled by CNPGC
Sinopharm Chuankang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Datong Coal Mine General Hospital	Controlled by CNPGC
Sinopharm Datong Coal Mine Medical and Health Industry Co., Ltd.	Controlled by CNPGC
Sinopharm Gezhouba (Yichang) Hospital Management Co., Ltd.	Controlled by CNPGC
Sinopharm Group Commercial Factoring Co. Ltd.	Controlled by CNPGC
Sinopharm Group Finance Co., Ltd.	Controlled by CNPGC
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Group Zhijun (Shenzhen) Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Group Zhijun (Shenzhen) Pingshan Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Harbin Hospital Management Co., Ltd.	Controlled by CNPGC
Sinopharm Holding A-Think Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Huazhong (Hubei) Medical Health Co., Ltd.	Controlled by CNPGC
Sinopharm North (Inner Mongolia) Medical and Health Industry Co., Ltd.	Controlled by CNPGC
Sinopharm Rongsheng Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Shanghai Plasma-derived Biotherapies Co., Ltd.	Controlled by CNPGC
Sinopharm Vanda Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Weiqida Pharmaceutical Co., Ltd.	Controlled by CNPGC
Sinopharm Wuhan Blood Products Co., Ltd.	Controlled by CNPGC
Southwest Pharmaceutical Co., Ltd.	Controlled by CNPGC
Tai Chi Group Co., Ltd.	Controlled by CNPGC
Taiji Group Chongqing Fuling Pharmaceutical Factory Co., Ltd.	Controlled by CNPGC
Taiji Group Chongqing No.2 Traditional Chinese Medicine Factory Co., Ltd.	Controlled by CNPGC
Taiji Group Chongqing Tongjunge Medicine Wholesale Co., Ltd.	Controlled by CNPGC
Taiji Group Chongqing Tongjunge Pharmaceutical Co., Ltd.	Controlled by CNPGC
Taiji Group Sichuan Mianyang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Wuhan Institute of Biological Products Co., Ltd.	Controlled by CNPGC
Wuhan Zhongsheng Yujin Biological Medicine Co., Ltd	Controlled by CNPGC
Xinxiang Central Hospital	Controlled by CNPGC
Xinxiang City Second People's Hospital	Controlled by CNPGC

46. Significant related party transactions (continued)

Name of related party	Nature of relationship
Wuxi Huihua Pharmaceutical Chain Store Co., Ltd.	Associate
Yichang Humanwell Pharmaceutical Co., Ltd.	Associate
East Hubei Medical Care Group Co. LTD	Associate
Foshan Pharmaceutical Co., Ltd.	Associate
Guoling JINDA Medical Technology (Shanghai) Co., Ltd.	Associate
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Company Ltd.	Associate
Jienuo Shijiazhuang Medical Disinfection Supply Center Co., Ltd.	Associate
Shanghai Beiyi Guoda pharmaceutical Co., Ltd.	Associate
Shenzhen Wan Wei Pharmaceutical Trade Co., Ltd.	Associate
Sichuan Yibin Wuliang Pharmaceutical Co., Ltd.	Associate
Sinopharm Group Anhui Health Industry Co., Ltd	Associate
Sinopharm Health Online Co., Ltd.	Associate
Sinopharm Holding (China) Finance Leasing Co., Ltd.	Associate
Sinopharm Zhongbang Huangshi Pharmaceutical Co., Ltd.	Associate
Xilin Gol League Kangjie Hospital Management Co., Ltd.	Associate
Sinopac Ronghui (Shanghai) Commercial Factoring Co., Ltd.	Associate
Shenzhen Main Luck Pharmaceutical Co., Ltd.	Associate
Sinopharm Group Zhijun (Suzhou) Pharmaceutical Co., Ltd.	Associate
China National Pharmaceutical Group Shanxi Rfl Pharmaceutical Co., Ltd.	Associate of CNPGC
Fresenius Kabi Huarui Pharmaceutical Co., Ltd.	Associate of CNPGC
China Otsuka Pharmaceutical Co., Ltd.	Associate of CNPGC
Aleph Biomedical Company Limited	Subsidiary of Fosun Pharmaceutical
Chongqing Yaoyou Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Fresenius Kabi (Wuhan) Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Glaxosmithkline Pharmaceuticals (Suzhou) Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Hunan Dongting Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Jiangsu Fosun Pharmaceutical Sales Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Jiangsu Wanbang Pharmaceutical Marketing Ltd.	Subsidiary of Fosun Pharmaceutical

46. Significant related party transactions (continued)

Name of related party	Nature of relationship
Jiangxi Erye Pharmaceutical Marketing Co., Ltd	Subsidiary of Fosun Pharmaceutical
Jinzhou Aohong Pharmaceuticals Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Shandong Skyway Pharmaceutical Sales Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Sichuan Hexin Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Shanghai Zhaohui Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Tibet Yaopharma Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Wenzhou Geriatric Hospital Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Daiichi Sankyo PHARMACEUTICAL (Beijing) Co., Ltd.	Subsidiary of Fosun Pharmaceutica
Shanghai Henlius Biologics Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Beijing Jiarunkangda Medical Instrument Co., Ltd.	Subsidiary of Natong Group
Beijing Naton Medical Technology Co., Ltd.	Subsidiary of Natong Group
Beijing Navide Medical Instrument Co., Ltd.	Subsidiary of Natong Group
Beijing Weiliande Orthopedic Technology Co., Ltd.	Subsidiary of Natong Group
Hebei Naton Medical Equipment Sales Co., Ltd.	Subsidiary of Natong Group
Jiangxi Naton Medical Instrument Co., Ltd.	Subsidiary of Natong Group
Zhejiang Naton Medical Instrument Co., Ltd.	Subsidiary of Natong Group

46. Significant related party transactions (continued)

(a) Significant transactions with related parties except for other PRC government-related entities

	2022 RMB'000	2021 RMB'000
Sales of goods (i)		
Subsidiary of Natong Group	18,304	3,505
Ultimate holding company	24	57
Associates	972,133	734,880
Companies controlled by CNPGC	2,508,039	2,813,704
Associates of CNPGC	5,039	5,106
Subsidiary of Fosun Pharmaceutical	380,634	371,096
Purchases of goods (ii)		
Subsidiary of Natong Group	536,064	745,751
Associates	4,043,374	3,627,173
Companies controlled by CNPGC	6,428,951	6,283,350
Associates of CNPGC	1,689,384	1,736,486
Subsidiary of Fosun Pharmaceutical	5,843,937	3,944,459
(Repayment)/Borrowings (iii)		
Ultimate holding company	(4,034,937)	4,000,000
Associates	(324,505)	342,127
Companies controlled by CNPGC	(568,601)	3,036,608
Interest fee paid for other financial services (iv)		
Ultimate holding company	62,794	1,233
Associates	5,889	364
Companies controlled by CNPGC	175,371	153,813
Bill receivable discount (v)		
Companies controlled by CNPGC	1,436,816	2,609,721
Trade receivable factoring (vi)		
Associates	3,991,575	2,678,400
Companies controlled by CNPGC	8,178,959	5,911,615

46. Significant related party transactions (continued)

(a) Significant transactions with related parties except for other PRC government-related entities (continued)

(i) Significant sales of goods to related parties were listed as follows:

	2022 RMB'000	2021 RMB'000
Sales of goods		
Beijing Institute of Biological Products Co., Ltd.	512,320	570,522
Wuxi Huihua Pharmaceutical Chain Store Co., Ltd.	441,856	306,635
Sinopharm Huazhong (Hubei) Medical Health Co., Ltd.	310,421	320,825
Xinxiang Central Hospital	291,033	306,821
Wuhan Institute of Biological Products Co., Ltd.	164,644	273,983
Sinopharm Gezhouba (Yichang) Hospital Management Co., Ltd.	161,975	124,538
Foshan Pharmaceutical Co., Ltd.	153,473	145,064
Sichuan Yibin Wuliang Pharmaceutical Co., Ltd.	108,905	119,724
Sinopharm Datong Coal Mine Medical and Health Industry Co., Ltd.	104,147	23,640
Shanghai Beiyi Guoda pharmaceutical Co., Ltd.	94,871	106,906
Sinopharm North (Inner Mongolia) Medical and Health Industry Co., Ltd.	90,766	108,718
Sinopharm Holding (China) Finance Leasing Co., Ltd.	78,756	44,152
Sinopharm Datong Coal Mine General Hospital	76,099	169,975
East Hubei Medical Care Group Co. Ltd	74,505	62,846
Xinxiang City Second People's Hospital	73,952	83,849
Sinopharm Zhongbang Huangshi Pharmaceutical Co., Ltd.	71,014	–
Taiji Group Chongqing Fuling Pharmaceutical Factory Co., Ltd.	54,686	30,340

46. Significant related party transactions (continued)

(a) Significant transactions with related parties except for other PRC government-related entities (continued)

(ii) Significant purchases of goods from related parties were listed as follows:

	2022 RMB'000	2021 RMB'000
Purchases of goods		
Yichang Humanwell Pharmaceutical Co., Ltd.	3,563,593	3,105,604
Fresenius Kabi Huarui Pharmaceutical Co., Ltd.	1,359,093	1,457,011
Shanghai Henlius Biologics Co., Ltd.	1,113,193	533,906
Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.	1,028,686	–
Jiangsu Wanbang Pharmaceutical Marketing Ltd.	993,456	916,113
Lanzhou Biotechnology Development Co., Ltd.	924,544	1,157,902
Jiangsu Fosun Pharmaceutical Sales Co., Ltd.	866,408	730,208
Southwest Pharmaceutical Co., Ltd.	807,060	588,676
Chengdu Rongsheng Pharmaceuticals Co., Ltd.	691,546	598,729
Chongqing Yaoyou Pharmaceutical Co., Ltd.	565,284	598,374
Chongqing Southwest Pharmaceutical Sales Co., Ltd.	405,653	254,535
Sinopharm Group Zhijun (Shenzhen) Pharmaceutical Co., Ltd.	385,280	369,312
Beijing Naton Medical Technology Co., Ltd.	330,117	457,978
Shydec Pharmaceutical Marketing Co., Ltd.	329,916	467,603
China Otsuka Pharmaceutical Co., Ltd.	283,016	239,119
Taiji Group Chongqing Fuling Pharmaceutical Factory Co., Ltd.	282,507	171,847
Shenzhen Main Luck Pharmaceutical Co., Ltd.	277,533	274,592
Hunan Dongting Pharmaceutical Co., Ltd.	238,967	209,522
Sinopharm Rongsheng Pharmaceutical Co., Ltd.	204,724	212,503
Foshan Winteam Pharmaceutical Co., Ltd.	199,465	210,231
Guizhou Tongjitang Pharmaceutical Co., Ltd.	192,977	241,320
China National Pharmaceutical Industry Co., Ltd.	180,048	138,433
Taiji Group Chongqing Tongjunge Pharmaceutical Co., Ltd.	171,041	120,267
Sinopharm Vanda Pharmaceutical Co., Ltd.	165,084	88,175
Jinzhou Aohong Pharmaceuticals Co., Ltd.	157,533	189,764
Shanghai Zhaohui Pharmaceutical Co., Ltd.	140,104	112,166
Sinopharm Wuhan Blood Products Co., Ltd.	137,183	130,329
Sinopharm Holding A-Think Pharmaceutical Co., Ltd.	119,424	164,885
Sichuan Hexin Pharmaceutical Co., Ltd.	111,542	169,851
Chengdu Institute of Biological Products	104,838	96,772
Tibet Yaopharma Pharmaceutical Co., Ltd.	102,645	122,762
Jiangxi Erye Pharmaceutical Marketing Co., Ltd	96,448	66,403
Shandong Skyway Pharmaceutical Sales Co., Ltd.	89,765	30,974

46. Significant related party transactions (continued)

(a) Significant transactions with related parties except for other PRC government-related entities (continued)

(ii) Significant purchases of goods from related parties were listed as follows: (continued)

	2022 RMB'000	2021 RMB'000
Shenzhen Wan Wei Pharmaceutical Trade Co., Ltd.	86,770	77,714
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Company Ltd.	79,522	64,642
China National Pharmaceutical Foreign Trade Co., Ltd.	73,035	103,624
Sinopharm Group Zhijun (Shenzhen) Pingshan Pharmaceutical Co., Ltd.	72,955	95,843
Sinopharm Weiqida Pharmaceutical Co., Ltd..	72,130	14,998
Beijing Weiliande Orthopedic Technology Co., Ltd.	68,576	79,814
Anhui Jingfang Pharmaceutical Co., Ltd.	65,100	72,490
Shanghai Modern Hasen (Shangqiu) Pharmaceutical Co., Ltd.	51,986	120,799

(iii) Repayment to/Borrowings from related parties were listed as follows:

	2022 RMB'000	2021 RMB'000
(Repayment)/Borrowings		
China National Pharmaceutical Group Co., Ltd.	(4,034,937)	4,000,000
Sinopharm Group Finance Co., Ltd.	(606,387)	3,036,608
Sinopac Ronghui (Shanghai) Commercial Factoring Co., Ltd.	(316,932)	334,554
Sinopac Puxin Commercial Factoring Co., Ltd.	37,786	–
Sinopharm Holding (China) Finance Leasing Co., Ltd.	(7,573)	7,573

(iv) Interest fees paid for other financial services to related parties were listed as follows:

	2022 RMB'000	2021 RMB'000
Interest fees paid for other financial services		
Sinopharm Group Finance Co., Ltd.	173,080	153,662
China National Pharmaceutical Group Co., Ltd.	62,794	1,233
Sinopac Ronghui (Shanghai) Commercial Factoring Co., Ltd.	5,984	275
Sinopac Puxin Commercial Factoring Co., Ltd.	2,291	151
Sinopharm Holding (China) Finance Leasing Co., Ltd.	5	89

46. Significant related party transactions (continued)

(a) Significant transactions with related parties except for other PRC government-related entities (continued)

(v) Bill receivable discount to a related party was listed as follows:

	2022 RMB'000	2021 RMB'000
Bill receivable discount		
Sinopharm Group Finance Co., Ltd.	1,436,816	2,609,721

(vi) Trade receivable factoring to the related party was listed as follows:

	2022 RMB'000	2021 RMB'000
Trade receivable factoring		
Sinopharm Group Finance Co., Ltd.	4,899,059	2,413,824
Sinopac Puxin Commercial Factoring Co., Ltd.	3,279,900	3,497,791
Sinopac Ronghui (Shanghai) Commercial Factoring Co., Ltd.	3,171,628	2,363,865
Sinopharm Holding (China) Finance Leasing Co., Ltd.	611,444	125,652
Sinopharm Group Commercial Factoring Co. Ltd.	208,503	188,883

The above related party transaction was carried out on terms mutually agreed between the parties. In the opinion of the Company's directors and the Group's management, the transaction was conducted in the ordinary course of business of the Group.

The related party transactions included in items (i), (ii), (iv) and (vi) above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Key management compensation

	2022 RMB'000	2021 RMB'000
Salaries and other short-term employee benefits	22,557	23,334

46. Significant related party transactions (continued)

(c) Significant balances with related parties except for other PRC government-related entities

	2022 RMB'000	2021 RMB'000
Cash in other financial institution (i)		
Companies controlled by CNPGC	2,342,575	2,345,767
Trade and bills receivables due from (ii)		
Subsidiary of Natong Group	1,533	467
Associates	202,179	121,616
Companies controlled by CNPGC	1,406,052	1,415,493
Associates of CNPGC	138	129
Subsidiary of Fosun Pharmaceutical	84,899	145,107
Other receivables due from (iii)		
Subsidiary of Natong Group	1,920	180
Associates	54,793	54,276
Companies controlled by CNPGC	56,902	34,176
Associates of CNPGC	465	262
Subsidiary of Fosun Pharmaceutical	3,220	1,143
Prepayments to (iv)		
Subsidiary of Natong Group	1,789	207
Associates	15,332	3,338
Companies controlled by CNPGC	425,856	167,727
Associates of CNPGC	13,156	9,329
Subsidiary of Fosun Pharmaceutical	69,850	29,520
Trade and bills payables due to (v)		
Subsidiary of Natong Group	258,207	218,487
Associates	1,273,840	751,106
Companies controlled by CNPGC	1,678,660	1,722,366
Associates of CNPGC	91,029	172,411
Subsidiary of Fosun Pharmaceutical	1,216,560	843,125

46. Significant related party transactions (continued)

(c) Significant balances with related parties except for other PRC government-related entities (continued)

	2022 RMB'000	2021 RMB'000
Other payables due to (vi)		
Ultimate holding company	**4,094**	3,587
Subsidiary of Natong Group	**622**	29,569
Associates	**616,365**	655,139
Companies controlled by CNPGC	**487,071**	607,892
Associates of CNPGC	**875**	600
Subsidiary of Fosun Pharmaceutical	**1,251**	1,146
Contract liabilities (vii)		
Subsidiary of Natong Group	**52**	–
Associates	**1,820**	22,936
Companies controlled by CNPGC	**109,575**	327,583
Associates of CNPGC	**8**	–
Subsidiary of Fosun Pharmaceutical	**795**	3,076
Borrowing due to (viii)		
Ultimate holding company	**–**	4,034,937
Associates	**34,758**	359,264
Companies controlled by CNPGC	**5,705,581**	6,270,985
Other non-current liabilities (ix)		
Ultimate holding company	**1,278,805**	1,302,729
Associates	**–**	761
Companies controlled by CNPGC	**39,519**	2,446

(i) Significant balance of cash in other financial institution with related parties was listed as follows:

	2022 RMB'000	2021 RMB'000
Cash in other financial institution		
Sinopharm Group Finance Co., Ltd.	**2,342,575**	2,345,767

46. Significant related party transactions (continued)

(c) Significant balances with related parties except for other PRC government-related entities (continued)

(ii) Significant balances of trade and bills receivables due from related parties were listed as follows:

	2022 RMB'000	2021 RMB'000
Trade and bills receivables due from		
Sinopharm Huazhong (Hubei) Medical Health Co., Ltd.	**284,987**	276,167
Xinxiang Central Hospital	**267,432**	174,203
Beijing Institute of Biological Products Co., Ltd.	**205,776**	25,291
Sinopharm Gezhouba (Yichang) Hospital Management Co., Ltd.	**168,164**	124,315
Xinxiang City Second People's Hospital	**100,514**	67,102
Sinopharm Datong Coal Mine Medical and Health Industry Co., Ltd.	**95,902**	20,317
Sinopharm North (Inner Mongolia) Medical and Health Industry Co., Ltd.	**75,734**	80,047
Sinopharm Datong Coal Mine General Hospital	**75,033**	153,006
East Hubei Medical Care Group Co. LTD	**65,614**	55,613
Sinopharm Zhongbang Huangshi Pharmaceutical Co., Ltd.	**63,944**	–
Wuxi Huihua Pharmaceutical Chain Store Co., Ltd.	**46,936**	14,424
Wuhan Institute of Biological Products Co., Ltd.	**40,918**	77,563
Foshan Pharmaceutical Co., Ltd.	**31,341**	65,479
Chongqing Southwest Aluminum Hospital	**27,805**	31,427
China Pharmaceutical Zhongyuan (Henan) Medical Insurance Co., Ltd.	**24,180**	17,171
Wenzhou Geriatric Hospital Co., Ltd.	**17,284**	48,232
Chengdu Rongsheng Pharmaceuticals Co., Ltd.	**16,290**	1,379

46. Significant related party transactions (continued)

(c) Significant balances with related parties except for other PRC government-related entities (continued)

(iii) Significant balances of other receivables due from related parties were listed as follows:

	2022 RMB'000	2021 RMB'000
Other receivables due from		
Sinopharm Group Zhijun (Suzhou) Pharmaceutical Co., Ltd.	35,214	46,334
China National Pharmaceutical Group Sanyi Pharmaceutical (Wuhu) Co., Ltd.	23,030	23,030
Sinopharm Group Finance Co., Ltd.	20,491	954
Sinopharm Holding (China) Finance Leasing Co., Ltd.	8,790	2,705
Jienuo Shijiazhuang Medical Disinfection Supply Center Co., Ltd.	6,372	–
Taiji Group Chongqing Fuling Pharmaceutical Factory Co., Ltd.	3,855	2,150
Xilin Gol League Kangjie Hospital Management Co., Ltd.	1,700	100
Tai Chi Group Co., Ltd.	1,500	1,300
China National Pharmaceutical Foreign Trade Co., Ltd.	1,263	1,269
Jiangxi Naton Medical Instrument Co., Ltd.	1,046	–
Guoling JINDA Medical Technology (Shanghai) Co., Ltd.	993	–
Chongqing Yaoyou Pharmaceutical Co., Ltd.	895	29
Jiangsu Wanbang Pharmaceutical Marketing Ltd.	844	254
Sinopharm North (Inner Mongolia) Medical and Health Industry Co., Ltd.	800	–
Yichang Humanwell Pharmaceutical Co., Ltd.	703	296
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Company Ltd.	646	–
Southwest Pharmaceutical Co., Ltd.	612	104
Hebei Naton Medical Equipment Sales Co., Ltd.	608	–
Foshan Winteam Pharmaceutical Co., Ltd.	602	193
Fujian Chengtian Jinling Pharmaceutical Co., Ltd.	574	175
Shanghai Institute of Bio-products Co., Ltd.	535	288
Aleph Biomedical Company Limited	504	16
Taiji Group Chongqing Tongjunge Medicine Wholesale Co., Ltd.	500	300
Shanghai Zhaohui Pharmaceutical Co., Ltd.	500	500

46. Significant related party transactions (continued)

(c) Significant balances with related parties except for other PRC government-related entities (continued)

(iv) Significant balances of prepayments to related parties were listed as follows:

	2022 RMB'000	2021 RMB'000
Prepayments to		
Chengdu Rongsheng Pharmaceuticals Co., Ltd.	115,991	7,051
Chongqing Southwest Pharmaceutical Sales Co., Ltd.	63,976	19,510
Southwest Pharmaceutical Co., Ltd.	60,966	16,731
Taiji Group Chongqing Fuling Pharmaceutical Factory Co., Ltd.	50,488	3,066
Chongqing Yaoyou Pharmaceutical Co., Ltd.	19,677	11,115
Sinopharm Rongsheng Pharmaceutical Co., Ltd.	17,994	4,082
Taiji Group Chongqing Tongjunge Pharmaceutical Co., Ltd.	14,739	12,808
Lanzhou Lansheng Plasma-derived Biotheraples Co., Ltd.	13,265	3,531
Yichang Humanwell Pharmaceutical Co., Ltd.	12,868	1,425
Chongqing Taiji Industry (Group) Co., Ltd.	12,497	–
Fresenius Kabi Huarui Pharmaceutical Co., Ltd.	10,399	8,178
Taiji Group Sichuan Mianyang Pharmaceutical Co., Ltd.	9,749	3,604
Foshan Winteam Pharmaceutical Co., Ltd.	8,500	5,967
Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.	8,321	–
Shydec Pharmaceutical Marketing Co., Ltd.	7,534	8,132
Beijing Sanoqiang Pharmaceutical Foreign Trade Co., Ltd	6,540	171
Shanghai zhaohui Pharmaceutical Co., Ltd.	6,455	165
Hunan Dongting Pharmaceutical Co., Ltd.	5,703	2,256
Sinopharm Shanghai Plasma-derived Biotherapies Co., Ltd.	5,150	–
Sinopharm Group Zhijun (Shenzhen) Pharmaceutical Co., Ltd.	4,903	40,647
Taiji Group Chongqing No.2 Traditional Chinese Medicine Factory Co., Ltd.	4,084	2,055

46. Significant related party transactions (continued)

(c) Significant balances with related parties except for other PRC government-related entities (continued)

(v) Significant balances of trade and bills payables due to related parties were listed as follows:

	2022 RMB'000	2021 RMB'000
Trade and bills payables due to		
Yichang Humanwell Pharmaceutical Co., Ltd.	342,694	407,647
Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.	289,419	–
Lanzhou Biotechnology Development Co., Ltd.	151,906	69,399
Beijing Naton Medical Technology Co., Ltd.	144,537	121,054
Shanghai Henlius Biologics Co., Ltd.	127,824	88,737
Jiangsu Wanbang Pharmaceutical Marketing Ltd.	125,727	128,435
Southwest Pharmaceutical Co., Ltd.	73,094	59,802
Jiangsu Fosun Pharmaceutical Sales Co., Ltd.	72,173	116,737
Sinopharm Vanda Pharmaceutical Co., Ltd.	70,017	18,617
Shenzhen Main Luck Pharmaceutical Co., Ltd.	56,898	61,367
Beijing Weiliande Orthopedic Technology Co., Ltd.	55,522	13,502
Chongqing Yaoyou Pharmaceutical Co., Ltd.	53,036	61,693
Sinopharm Weiqida Pharmaceutical Co., Ltd.	52,122	319
Fresenius Kabi Huarui Pharmaceutical Co., Ltd.	48,838	124,142
Guizhou Tongjitang Pharmaceutical Co., Ltd.	39,561	28,019
Chongqing Southwest Pharmaceutical Sales Co., Ltd.	37,299	103
Foshan Winteam Pharmaceutical Co., Ltd.	35,269	32,352
Beijing Navide Medical Instrument Co., Ltd.	33,314	30,421
Sinopharm Group Zhijun (Shenzhen) Pharmaceutical Co., Ltd.	32,084	26,857
Jinzhou Aohong Pharmaceuticals Co., Ltd.	31,218	27,557
Chengdu Rongsheng Pharmaceuticals Co., Ltd.	31,065	1,718
Hunan Dongting Pharmaceutical Co., Ltd.	26,383	20,673
China Otsuka Pharmaceutical Co., Ltd.	22,111	31,008
Taiji Group Chongqing Tongjunge Pharmaceutical Co., Ltd.	20,273	24,204
Shenzhen Wan Wei Pharmaceutical Trade Co., Ltd.	19,896	18,095
Taiji Group Chongqing Fuling Pharmaceutical Factory Co., Ltd.	19,727	9,492
Shydec Pharmaceutical Marketing Co., Ltd.	18,833	10,279
Tibet Yaopharma Pharmaceutical Co., Ltd.	17,512	21,108
Daiichi Sankyo PHARMACEUTICAL (Beijing) Co., Ltd.	16,649	–

46. Significant related party transactions (continued)

(c) Significant balances with related parties except for other PRC government-related entities (continued)

(v) Significant balances of trade and bills payables due to related parties were listed as follows: (continued)

	2022 RMB'000	2021 RMB'000
Shanghai Zhaohui Pharmaceutical Co., Ltd.	16,443	6,975
Sinopharm Group Zhijun (Shenzhen) Pingshan Pharmaceutical Co., Ltd.	15,803	14,910
China National Pharmaceutical Industry Co., Ltd.	15,675	22,025
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Company Ltd.	15,172	–
Anhui Jingfang Pharmaceutical Co., Ltd.	12,822	9,640
Jiangxi Erye Pharmaceutical Marketing Co., Ltd	11,030	4,850
Beijing Jiarunkangda Medical Instrument Co., Ltd.	9,307	49,662
Wuhan Zhongsheng Yujin Biological Medicine Co., Ltd	7,777	5,934
Fresenius Kabi (Wuhan) Pharmaceutical Co., Ltd.	7,453	340
Zhejiang Naton Medical Instrument Co., Ltd.	6,912	693
Sinopharm Rongsheng Pharmaceutical Co., Ltd.	6,752	8,030
Shandong Luya Pharmaceutical Co., Ltd.	6,556	4,273
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd.	6,400	8,473
Lanzhou Lansheng Plasma-derived Biotheraples Co., Ltd.	6,006	–
Glaxosmithkline Pharmaceuticals (Suzhou) Co., Ltd.	5,821	10,824
China National Pharmaceutical Group Shanxi Rfl Pharmaceutical Co., Ltd.	5,745	–
Sinopharm Chuankang Pharmaceutical Co., Ltd.	5,202	6,516

(vi) Significant balances of other payables due to related parties were listed as follows:

	2022 RMB'000	2021 RMB'000
Other payables due to		
Sinopac Ronghui (Shanghai) Commercial Factoring Co., Ltd.	495,134	189,615
Sinopharm Group Finance Co., Ltd.	288,864	712,609
Sinopac Puxin Commercial Factoring Co., Ltd.	164,363	94,866
Sinopharm Holding (China) Finance Leasing Co., Ltd.	43,348	89,900
Sinopharm Group Commercial Factoring Co. Ltd.	36,757	9,340

46. Significant related party transactions (continued)

(c) Significant balances with related parties except for other PRC government-related entities (continued)

(vi) Significant balances of other payables due to related parties were listed as follows: (continued)

	2022 RMB'000	2021 RMB'000
Other payables due to		
Sinopharm Health Online Co., Ltd.	21,100	45,048
Sinopharm Group Anhui Health Industry Co., Ltd	18,000	–
Chongqing China Medicine Group United Engineering Company	7,585	18,878
Shanghai Institute of Pharmaceutical Industry	7,363	1,858
Sinopharm Datong Coal Mine Medical and Health Industry Co., Ltd.	5,017	–
China National Pharmaceutical Group Co., Ltd.	4,094	3,587
Sinopharm Gezhouba (Yichang) Hospital Management Co., Ltd.	3,105	–
Sinopharm Huazhong (Hubei) Medical Health Co., Ltd.	2,294	–
China National Corp. of Traditional and Herbal Medicine	2,000	3,300
Sinopharm Harbin Hospital Management Co., Ltd.	1,090	–
China State Institute of Pharmaceutical Industry	1,000	1,000

(vii) Significant balance of contract liabilities with related parties was listed as follows:

	2022 RMB'000	2021 RMB'000
Contract liabilities		
Beijing Institute of Biological Products Co., Ltd.	19,918	170,839
Lanzhou Institute of Bio-products Co., Ltd.	18,062	1,535
Shanghai Institute of Bio-products Co., Ltd.	15,022	24,539
China National Pharmaceutical Foreign Trade Co., Ltd.	11,429	18,269
Sinopharm Shanghai Plasma-derived Biotherapies Co., Ltd.	8,904	8,125
Wuhan Institute of Biological Products Co., Ltd.	8,456	69,203
Shanghai Institute of Pharmaceutical Industry	6,043	12,963
China Sinopharm Healthcare Industry Company	6,000	6,049
CNBG-Virogin Biotech (Shanghai) Co., Ltd.	3,613	–
Chongqing Southwest Aluminum Hospital	2,870	–
Sinopharm (Chongqing) Health Care Management Co., Ltd.	2,667	–
Changhcun Keygen Biological Products Co., Ltd.	1,628	4,399

46. Significant related party transactions (continued)

(c) Significant balances with related parties except for other PRC government-related entities (continued)

(viii) Significant balances of borrowings due to related parties were listed as follows:

	2022 RMB'000	2021 RMB'000
Borrowings due to		
Sinopharm Group Finance Co., Ltd.	5,667,644	6,270,808
Sinopac Puxin Commercial Factoring Co., Ltd.	37,937	177
Sinopac Ronghui (Shanghai) Commercial Factoring Co., Ltd.	35,487	351,691

Borrowings from the above related parties bear interest at rates from 2.45% to 7.50% (2021: from 3.60% to 7.50%). The borrowings from China National Pharmaceutical Group Co., Ltd. have repayment terms over 1 year. The borrowings from the other two related parties have repayment terms within 1 year.

(ix) Significant balances of other non-current liabilities with related parties were listed as follows:

	2022 RMB'000	2021 RMB'000
Other non-current liabilities		
China National Pharmaceutical Group Co., Ltd.	1,278,805	1,302,729
Beijing Institute of Biological Products Co., Ltd.	22,200	–
Shanghai Institute of Biological Products Co., Ltd.	14,201	–
China National Corp. of Traditional and Herbal Medicine	2,446	2,446
Sinopharm Datong Coal Mine Medical and Health Industry Co., Ltd.	672	–

47. Principal subsidiaries

As at 31 December 2022, particulars of the Company's principal subsidiaries are as follows:

Company name	Place and date of registration	Issued and paid-up capital/ registered capital	Effective interests held by the Group		Principal activities and place of operations
		RMB'000	Direct %	Indirect %	
China National Pharmaceutical Group Shanghai Co., Ltd.* (國藥集團上海有限公司)	PRC, 24 July 1988	40,237	100	–	Property management
China National Pharmaceutical Group Chemical Reagent Co., Ltd.* (國藥集團化學試劑有限公司)	PRC, 24 October 2003	450,000	90	10	Distribution of chemical reagents in the PRC
Beijing Sinopharm Tianyuan Real Estate & Property Management Co., Ltd.* (北京國藥天元物業管理有限公司)	PRC, 28 December 1981	36,130	100	–	Property rental in the PRC
Sinopharm Holding Tianjin Co., Ltd.* (國藥控股天津有限公司)	PRC, 12 December 2003	1,300,000	90	10	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Shenyang Co., Ltd.* (國藥控股瀋陽有限公司)	PRC, 27 November 2003	800,000	90	10	Distribution of pharmaceutical products, laboratory supplies and chemical reagents and provision of pharmaceutical logistics services in the PRC
Sinopharm Holding Shaanxi Co., Ltd.* (國藥控股陝西有限公司)	PRC, 30 May 2001	250,000	60	–	Distribution of pharmaceutical and healthcare products and logistics services in the PRC
Sinopharm Pharmaceutical Logistics Co., Ltd.* (國藥集團醫藥物流有限公司)	PRC, 18 December 2002	300,000	100	–	Provision of pharmaceutical logistics services in the PRC
China National Medicines Corporation Ltd.* (國藥集團藥業股份有限公司)	PRC, 21 December 1999	754,503	55	–	Distribution of pharmaceutical products and laboratory supplies in the PRC
Shanghai Tongyu Information Technology Co., Ltd.* (上海統御信息科技有限公司)	PRC, 27 December 2005	41,000	100	–	Information technology development and medicine consulting in the PRC
Sinopharm Holding Distribution Center Co., Ltd.* (國藥控股分銷中心有限公司)	PRC, 30 January 2002	2,000,000	100	–	Distribution of pharmaceutical and healthcare products in the PRC

47. Principal subsidiaries (continued)

Company name	Place and date of registration	Issued and paid-up capital/ registered capital RMB'000	Effective interests held by the Group Direct %	Effective interests held by the Group Indirect %	Principal activities and place of operations
Sinopharm Holding Henan Co., Ltd.* (國藥控股河南股份有限公司)	PRC, 11 December 2006	680,310	80	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Fujian Co., Ltd.* (國藥控股福建有限公司)	PRC, 20 January 2010	851,000	80	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Hong Kong Co., Ltd.* (國藥控股股份香港有限公司)	PRC, 14 August 2009	303,317,200	100	–	Investment; distribution of pharmaceutical and healthcare products; medicine chain stores; and provision of pharmaceutical logistics services in the PRC
Sinopharm Holding Shandong Co., Ltd.* (國藥控股山東有限公司)	PRC, 12 April 2006	70,000	67	–	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Group Xinjiang Province New & Special National Pharmaceutical Co., Ltd.* (國藥集團新疆新特藥業有限公司)	PRC, 30 June 2003	780,637	80	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Hubei Co., Ltd.* (國藥控股湖北有限公司)	PRC, 19 March 2001	844,444	82	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Medical Instruments Co., Ltd. (國藥控股醫療器械有限公司)	PRC, 27 July 2006	320,000	100	–	Distribution of medical instruments in the PRC
Sinopharm Holding Anhui Co., Ltd.* (國藥控股安徽有限公司)	PRC, 29 December 2008	798,863	87	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Zhejiang Co., Ltd.* (國藥控股浙江有限公司)	PRC, 9 October 1995	200,000	88	–	Distribution of pharmaceutical products
Sinopharm Holding Hunan Co., Ltd.* (國藥控股湖南有限公司)	PRC, 21 June 2001	520,000	97	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC

47. Principal subsidiaries (continued)

Company name	Place and date of registration	Issued and paid-up capital/ registered capital RMB'000	Effective interests held by the Group Direct %	Indirect %	Principal activities and place of operations
Sinopharm Holding Chongqing Co., Ltd.* (國藥控股重慶有限公司)	PRC, 8 May 2010	30,000	67	–	Distribution of pharmaceutical products and chemical reagents
Sinopharm Holding Jiangsu Co., Ltd.* (國藥控股江蘇有限公司)	PRC, 12 October 2001	1,865,342	100	–	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding Yunnan Co., Ltd.* (國藥控股雲南有限公司)	PRC, 20 November 2000	163,948	90	–	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
China National Accord Medicines Co., Ltd.* (國藥集團一致藥業股份有限公司)	PRC, 2 August 1986	428,130	56	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Shanxi Co., Ltd.* (國藥控股山西有限公司)	PRC, 17 January 2004	500,000	90	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Inner Mongolia Co., Ltd.* (國藥控股內蒙古有限公司)	PRC, 14 May 2010	300,000	100	–	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Group Southwest Medicine Co., Ltd.* (國藥集團西南醫藥有限公司)	PRC, 19 November 1997	63,390	82	3	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Lingyun Biopharmaceutical (Shanghai) Co., Ltd.* (國藥控股淩雲生物醫藥(上海)有限公司)	PRC, 3 February 1992	50,000	55	–	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding Jiangxi Co., Ltd.* (國藥控股江西有限公司)	PRC, 13 October 2009	100,000	67	–	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Holding Gansu Co., Ltd.* (國藥控股甘肅有限公司)	PRC, 14 January 2010	60,000	70	–	Distribution of pharmaceutical products and chemical reagents in the PRC
Sinopharm Holding Jilin Co., Ltd.* (國藥控股吉林有限公司)	PRC, 9 July 1999	50,000	70	–	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC

47. Principal subsidiaries (continued)

Company name	Place and date of registration	Issued and paid-up capital/ registered capital RMB'000	Effective interests held by the Group Direct %	Indirect %	Principal activities and place of operations
Sinopharm Holding Ningxia Co., Ltd.* (國藥控股寧夏有限公司)	PRC, 21 November 2008	97,620	73	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Guizhou Co., Ltd.* (國藥控股貴州有限公司)	PRC, 1 April 2010	50,000	70	–	Distribution of pharmaceutical products, healthcare products and chemical reagents in the PRC
Sinopharm Lerentang Pharmaceutical Co., Ltd.* (國藥樂仁堂醫藥有限公司)	PRC, 29 September 2009	175,000	60	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Hainan Co., Ltd.* (國藥控股海南有限公司)	PRC, 10 July 2000	50,000	68	–	Distribution of pharmaceutical, healthcare products and chemical reagents in the PRC
Sinopharm Holding Huzhou Co., Ltd.* (國藥控股湖州有限公司)	PRC, 14 August 1978	30,000	69	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Qinghai Co., Ltd.* (國藥控股青海有限公司)	PRC, 24 January 2003	20,000	85	–	Distribution of pharmaceutical products, healthcare products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Xingsha Pharmaceutical (Xiamen) Co., Ltd.* (國藥控股星鯊製藥(廈門)有限公司)	PRC, 30 December 1998	360,000	60	–	Medicine manufacture, distribution of chemical, reagents, import and export of goods and technology, business consulting
Sinopharm Holding Donghong Medical (Shanghai) Co., Ltd.* (國藥控股東虹醫藥(上海)有限公司)	PRC, 15 August 1992	12,000	85	–	Distribution of pharmaceutical products, healthcare products, laboratory supplies and chemical reagents in the PRC
Sinopharm Digital Technology (Shanghai) Co., Ltd.* (國藥控股數字科技(上海)有限公司)	PRC, 19 January 2004	31,500	100	–	Health consultation, medical consulting, market information consulting and investigation and convention and exhibition services

47. Principal subsidiaries (continued)

Company name	Place and date of registration	Issued and paid-up capital/ registered capital RMB'000	Effective interests held by the Group Direct %	Indirect %	Principal activities and place of operations
Shanghai Meiluo Medical Co., Ltd.* (上海美羅醫藥有限公司)	PRC, 27 May 2002	60,000	100	–	Distribution of pharmaceutical products, medical equipment and chemical reagents, import and export of goods and technology in the PRC
Sinopharm Holding Wenzhou Co., Ltd.* (國藥控股溫州有限公司)	PRC, 31 March 1995	50,000	58	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
China National Pharmaceutical Group Shanxi Co., Ltd.* (國藥集團山西有限公司)	PRC, 14 April 2011	1,000,000	80	–	Distribution of pharmaceutical products, laboratory supplies and healthcare products in the PRC
Sinopharm Holding Lingshang Hospital Management Service Co., Ltd.* (國藥控股菱商醫院管理服務(上海)有限公司)	PRC, 5 July 2013	300,370	60	–	Medical equipment and distribution of goods, information technology services in the PRC
Sinopharm Holding Heilongjiang Co., Ltd.* (國藥控股黑龍江有限公司)	PRC, 11 October 2010	99,000	65	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Chongqing Taimin Pharmaceutical Co., Ltd.* (國藥控股重慶泰民醫藥有限公司)	PRC, 17 August 2012	50,000	60	–	Distribution of pharmaceutical products, medical instruments and chemical reagents in the PRC
Sinopharm Bio-pharmaceutical Co., Ltd.* (國藥控股上海生物醫藥有限公司)	PRC, 3 December 2009	20,000	70	–	Distribution of pharmaceutical products, healthcare products, medical instruments and chemical reagents in the PRC

47. Principal subsidiaries (continued)

Company name	Place and date of registration	Issued and paid-up capital/ registered capital RMB'000	Effective interests held by the Group Direct %	Effective interests held by the Group Indirect %	Principal activities and place of operations
Sichuan Pharmaceutical Group Co., Ltd. of CNPGC* (國藥四川醫藥集團有限公司)	PRC, 2 September 2001	371,743	66	–	Management of medical project investment, consulting and technology training in PRC
Sinopharm Holding Dalian Hecheng Co., Ltd.* (國藥控股大連和成有限公司)	PRC, 17 January 1994	50,000	80	–	Distribution of pharmaceutical products, Chinese herbal medicine, antibiotics, biological products, chemical reagents and medical device
Sinopharm Holding Hongrun Medical Business Service (Shanghai) Co., Ltd.* (國藥控股虹潤醫藥商務服務(上海)有限公司)	PRC, 22 August 2016	60,000	60	–	Health consultation, medical consulting, distribution of medical equipment, import and export services in the PRC
Sinopharm pharmacy (shanghai) Co., Ltd* (國藥控股藥房(上海)有限公司)	PRC, 28 December 2017	1,000	100	–	Distribution of pharmaceutical and healthcare products in the PRC
China National Scientific Instruments and Materials Co., Ltd* (中國科學器材有限公司)	PRC, 2 March 1982	4,000,000	60	–	Distribution of medical instruments in the PRC
Sinopharm Holding Changsha Co., Ltd.* (國藥控股長沙有限公司)	PRC, 27 April 2015	100,000	80	–	Distribution of pharmaceutical products, laboratory supplies and chemical reagents in the PRC
Sinopharm Holding Medical Instruments Co., Ltd.* (國藥控股潤達醫療器械發展(上海)有限公司)	PRC, 17 August 2015	85,000	51	–	Distribution of medical instruments in the PRC
Sinopharm Holding GuoDa Drug Store Co., Ltd.* (國藥控股國大藥房有限公司)	PRC, 23 March 2004	1,683,333	–	60	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Intelligent Technology (Shanghai) Co., Ltd.* (國藥智能科技(上海)有限公司)	PRC, 6 July 2020	100,000	60	–	Provision of pharmaceutical information technology services in the PRC

* English translations of names for identification purposes only

47. Principal subsidiaries (continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results 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, result in particulars of excessive length.

Except for two of the subsidiaries (Sinopharm Holding Hong Kong Co., Ltd. and Sinopharm International Trade (Hong Kong) Co., Ltd) which were registered in Hong Kong, China, the subsidiaries of the Group all run their business in Mainland China.

China National Accord Medicines Co., Ltd., China National Medicines Corporation Ltd. and Sinopharm Holding Henan Co., Ltd. are joint stock limited companies. Except for the above-mentioned companies, the principal subsidiaries of the Company are limited liability companies.

48. Statement of financial position and movements in reserves of the Company

Statement of financial position of the Company

	2022 RMB'000	2021 RMB'000
ASSETS		
Non-current assets		
Investment properties	1,026,212	1,040,173
Property, plant and equipment	918,314	940,345
Intangible assets	24,580	33,462
Investments in subsidiaries	30,215,095	29,837,239
Investment in a joint venture	19,165	25,906
Investments in associates	2,902,563	2,786,771
Financial assets at fair value through profit or loss	549,750	508,970
Deferred tax assets	57,616	50,155
Total non-current assets	35,713,295	35,223,021
Current assets		
Inventories	1,265,630	664,267
Trade and bills receivables	3,443,283	3,206,158
Prepayments, other receivables and other assets	31,143,940	27,397,467
Cash and cash equivalents	28,460,671	20,457,717
Contract assets	611	98
Total current assets	64,314,135	51,725,707
Total assets	100,027,430	86,948,728

48. Statement of financial position and movements in reserves of the Company (continued)

Statement of financial position of the Company (continued)

	2022 RMB'000	2021 RMB'000
EQUITY		
Share capital	3,120,656	3,120,656
Treasury shares held for share incentive scheme	(3,838)	(3,838)
Reserves	29,374,187	28,848,239
Total equity	32,491,005	31,965,057
Liabilities		
Non-current liabilities		
Interest-bearing bank and other borrowings	10,497,052	6,695,120
Post-employment benefit obligations	–	601
Other non-current liabilities	1,278,906	1,302,837
Total non-current liabilities	11,775,958	7,998,558
Current liabilities		
Interest-bearing bank and other borrowings	10,110,599	11,135,456
Trade and bills payables	4,011,602	2,519,168
Contract liabilities	36,996	7,706
Tax payable	2,884	19,167
Accruals and other payables	41,598,386	33,303,616
Total current liabilities	55,760,467	46,985,113
Total liabilities	67,536,425	54,983,671
Total equity and liabilities	100,027,430	86,948,728

The financial statements were approved by the Board of Directors on 24 March 2023 and were signed on its behalf by

Yu Qingming *Director*	**Wu Tak Lung** *Director*

48. Statement of financial position and movements in reserves of the Company (continued)

Movements in reserves of the Company

	Share premium RMB'000	Statutory reserves RMB'000	Revaluation of available-for-sale investments RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 January 2021	24,630,310	1,511,356	7,404	3,920	2,080,226	28,233,216
Profit for the year	–	–	–	–	2,756,147	2,756,147
Share of other comprehensive income of associates	–	–	–	48	–	48
Appropriation to statutory reserve	–	275,615	–	–	(275,615)	–
Remeasurement on post-employment benefit obligations						
– gross	–	–	–	(2)	2,448	2,446
– tax	–	–	–	–	(612)	(612)
Dividends declared	–	–	–	–	(2,153,253)	(2,153,253)
Share of changes in equity other than comprehensive income and distributions received from associates	–	–	–	10,247	–	10,247
As at 31 December 2021	**24,630,310**	**1,786,971**	**7,404**	**14,213**	**2,409,341**	**28,848,239**
Profit for the year	**–**	**–**	**–**	**–**	**2,865,927**	**2,865,927**
Share of other comprehensive income of associates	**–**	**–**	**–**	**962**	**–**	**962**
Remeasurement on post-employment benefit obligations						
– gross	**–**	**–**	**–**	**(1,323)**	**2,704**	**1,381**
– tax	**–**	**–**	**–**	**331**	**(676)**	**(345)**
Dividend on shares released from the share incentive scheme	**–**	**–**	**–**	**–**	**104**	**104**
Dividends declared	**–**	**–**	**–**	**–**	**(2,340,492)**	**(2,340,492)**
Share of changes in equity other than comprehensive income and distributions received from associates	**–**	**–**	**–**	**(1,589)**	**–**	**(1,589)**
As at 31 December 2022	**24,630,310**	**1,786,971**	**7,404**	**12,594**	**2,936,908**	**29,374,187**

49. Directors', supervisors' and chief executives' remuneration

Directors', supervisors' and chief executives' 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:

(a) Directors', supervisors' and chief executives' remuneration

2022	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Employer's contribution to a retirement benefit scheme RMB'000
Executive directors				
Mr. Yu Qingming	–	2,185	4,107	198
Mr. Liu Yong	–	2,079	4,005	192
Independent non-executive directors				
Mr. Wu Tak Lung	350	–	–	–
Mr. Zhuo Fumin	350	–	–	–
Mr. Chen Fangruo	350	–	–	–
Mr. Li Peiyu	350	–	–	–
Mr. Yu Weifeng	350	–	–	–
Supervisors				
Mr. Liu Zhengdong	–	350	–	–
Mr. Liu Hongbing (i)	–	606	669	103
Ms. Lu Haiqing	–	427	518	184
Mr. Zhang Hong Yu	–	602	896	93
	1,750	6,249	10,195	770

49. Directors', supervisors' and chief executives' remuneration (continued)

(a) Directors', supervisors' and chief executives' remuneration (continued)

2021	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Employer's contribution to a retirement benefit scheme RMB'000
Executive directors				
Mr. Yu Qingming	–	2,106	4,582	186
Mr. Liu Yong	–	2,006	4,470	177
Independent non-executive directors				
Mr. Wu Tak Lung	350	–	–	–
Mr. Zhuo Fumin	350	–	–	–
Mr. Chen Fangruo	350	–	–	–
Mr. Li Peiyu	350	–	–	–
Mr. Yu Weifeng	350	–	–	–
Supervisors				
Mr. Liu Zhengdong	–	350	–	–
Mr. Zhang Hong Yu	–	1,120	1,976	177
Ms. Lu Haiqing	–	496	385	168
	1,750	6,078	11,413	708

(i) Appointed on 17 June 2022

(b) Except for the contribution to a retirement benefit scheme, no other retirement benefits were paid to any director during the year ended 31 December 2022.

(c) No termination benefits were paid to any director during the year ended 31 December 2022.

(d) No consideration paid to third parties for directors' services during the year ended 31 December 2022.

49. Directors', supervisors' and chief executives' remuneration (continued)

(e) No loans, quasi-loans or other dealings were entered into by the Company or subsidiary undertaking of the Company, where applicable, in favour of directors of the Company and of the holding company of the Company, or bodies corporate controlled by such directors or entities connected with such directors, including a shadow director of any director.

(f) No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

50. Events after the reporting period

The Group has no other significant events after the reporting period up to the approval date of these financial statements.

51. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 24 March 2023.

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