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

2023 *Annual Report*

All for Health
Health for All

* 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.".

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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 a top-rank wholesaler and retailer of pharmaceutical and healthcare products and medical devices, and a leading supply-chain service provider in the PRC.

The Group is mainly engaged in pharmaceutical products 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 industrial chain.

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. Deng Jindong *(Non-executive Director)*
Mr. Wang Kan *(Non-executive Director)*
Mr. Wang Peng *(Non-executive Director)*
Mr. Wen Deyong *(Non-executive Director)*
Mr. Li Dongjiu *(Non-executive Director)*
Ms. Feng Rongli *(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)*
Mr. Shi Shenghao *(Independent Non-executive Director)*

Supervisors

Ms. Guan Xiaohui *(Chief Supervisor)*
Mr. Liu Zhengdong
Mr. Guo Jinhong
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. Deng Jindong
Mr. Wen Deyong
Mr. Li Dongjiu
Mr. Chen Fangruo
Mr. Li Peiyu
Mr. Shi Shenghao

Audit Committee

Mr. Wu Tak Lung *(Chairman)*
Mr. Li Dongjiu
Mr. Li Peiyu
Mr. Shi Shenghao

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. Chen Fangruo
Mr. Wu Tak Lung
Mr. Yu Weifeng
Mr. Shi Shenghao

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 Law:
DLA Piper UK LLP

As to PRC law:
Guantao Law Firm Shanghai Office
Jingtian & Gongcheng

Auditor

International auditor:
PricewaterhouseCoopers
Registered PIE auditor

Domestic auditor:
PricewaterhouseCoopers Zhong Tian 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, 11th to 15th 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.
China Merchants Bank Co., Ltd.
Bank of China Limited
China Construction Bank Co., Ltd.
Industrial and Commercial Bank of China Limited
Agricultural Bank of China Co., Ltd.
China Minsheng Banking Corp., Ltd.

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:

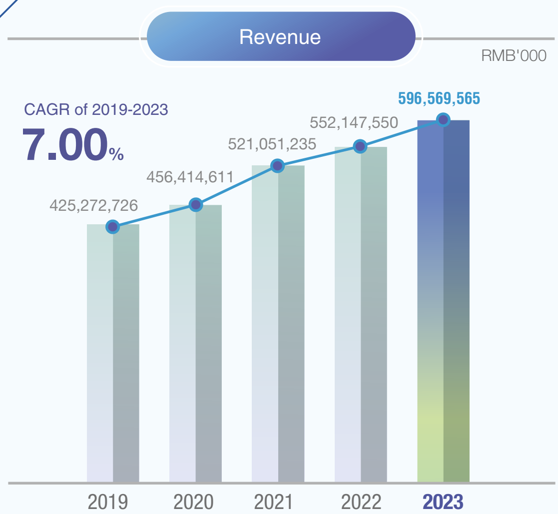
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of directors of the Company
"CBIRC"	former China Banking and Insurance Regulatory Commission
"CNPGC"	China National Pharmaceutical Group Co., Ltd. (中國醫藥集團有限公司), a state wholly-owned enterprise incorporated in the 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
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Director(s)"	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 International Holdings"	Fosun International Holdings Limited, a company incorporated in the British Virgin Islands with limited liability

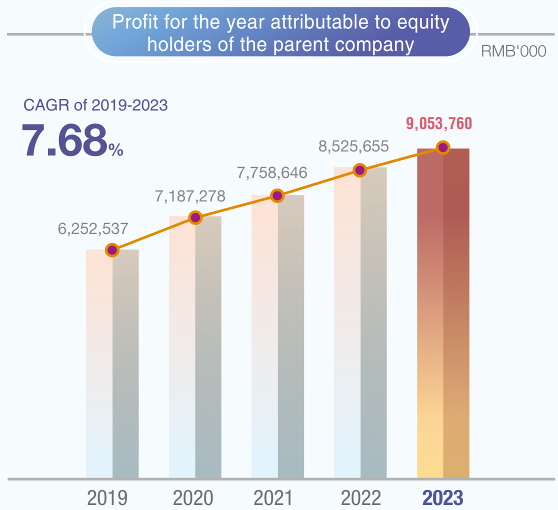
"Fosun Pharma"	Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (上海復星醫藥(集團)股份有限公司), a joint stock company established in the PRC with limited liability, the H shares and A shares of which are listed and traded on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively
"Group"	the Company 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 Hong Kong Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"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
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Supervisor(s)"	the supervisor(s) of the Company

Financial Highlights

RMB'000

	2019	2020	2021	2022	**2023**
Operating results					
Revenue	425,272,726	456,414,611	521,051,235	552,147,550	**596,569,565**
Gross profit	37,531,303	40,323,311	44,050,608	47,434,060	**48,511,678**
Operating profit	16,136,744	17,759,975	19,711,976	20,604,466	**20,209,195**
Earnings before interest and tax	16,903,274	18,545,111	20,406,031	21,753,811	**21,942,511**
Profit for the year attributable to equity holders of the parent company	6,252,537	7,187,278	7,758,646	8,525,655	**9,053,760**
Profitability					
Gross margin	8.83%	8.83%	8.45%	8.59%	**8.13%**
Operating margin	3.79%	3.89%	3.78%	3.73%	**3.39%**
Net profit margin	2.50%	2.65%	2.51%	2.60%	**2.52%**
Asset status					
Total assets	269,888,371	311,236,706	335,412,321	364,775,134	**383,394,844**
Equity attributable to equity holders of the parent company	47,422,146	56,358,845	61,886,015	68,068,559	**74,582,217**
Total liabilities	192,949,004	221,289,385	235,758,386	254,705,944	**263,076,099**
Cash and cash equivalents	39,191,967	50,178,265	43,529,428	55,221,624	**63,808,538**
Gearing ratio	71.49%	71.10%	70.29%	69.83%	**68.62%**
Liquidity ratio					
Current ratio (times)	1.29	1.31	1.33	1.36	**1.40**
Inventory turnover ratio (days)	36	39	37	40	**40**
Trade receivables turnover ratio (days)	98	107	111	113	**109**
Trade payables turnover ratio (days)	85	92	91	95	**93**
Data per share (RMB)					
Earnings per share – Basic	2.11	2.31	2.49	2.73	**2.90**
Earnings per share – Fully diluted	2.10	2.31	2.49	2.73	**2.90**





Revenue over **RMB590 billion** Year-on-year growth of

8.05%

Year-on-year decrease in operating profit of

1.92%

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

0.87%

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

4.63%

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 an “efficient organizer of pharmaceutical supply chain and comprehensive service solution provider in the industrial chain”.

Chairman's Statement

Yu Qingming

Chairman & Executive Director

Dear shareholders,

Looking back on the past year, China's economy has overcome multiple difficulties and challenges, generally achieved a good trend of recovery, made solid progress in high-quality development, and made solid steps towards building a socialist modern country in an all-round way.

The policy of "Linkage Reform among Medical Treatment, Medical Insurance and Pharmaceutical Distribution" continued to be implemented, and the entire pharmaceutical distribution industry was also at a critical stage of rapid transformation. The competition landscape has been adjusted and reshaped, and integration of innovative technologies such as artificial intelligence has been accelerated. The challenges faced by the industry were unprecedented, and the opportunities were once in a blue moon.

Taking initiative and following the momentum, right timing to rush forward. The year 2023 is the first year to fully implement the spirit of the 20th National Congress of the Communist Party of China, and the crucial year of forming a connecting link between the preceding and the following to implement the "14th Five-Year Plan". In this year, Sinopharm Group followed the Company's strategy and industry regulatory requirements, persisted in striving for progress while maintaining stability, and maintained a steady and high-quality development trend in a complex environment. In 2023, the Group's operating income continued to increase, the business structure was constantly optimized, and the position and influence in the industry were continuously enhanced. In 2023, the Group ranked

24th among Fortune 500 Chinese listed companies, and continued to play a leading role in the industry in the new journey of high-quality development. This year, in full compliance with the national regulatory requirements, we continued to push forward the work requirements of "deepening and upgrading the reform of state-owned enterprises" and "improving the quality of listed companies controlled by central enterprises", actively improved the level of corporate governance, and comprehensively focused on strengthening core functions and enhancing the core competitiveness. During the Reporting Period, the Company was awarded the excellent rating of State-owned Enterprises Reform "Double-Hundred Action" by the State-owned Assets Supervision and Administration Commission of the State Council, and won "The 14th Tianma Award for Investor Relations of Hong Kong Listed Companies" and "The 25th Golden Bull Award for Hong Kong Listed Companies", which demonstrated the high recognition of corporate governance efficiency and leading edge by various social sectors.

Promoting green transformation and innovative development. The Group actively responded to the national strategy, demonstrated the responsibility of central enterprises, constantly explored and practiced in the field of sustainable development, took scientific and technological innovation as a brand- new growth driver, played the role of the core hub of the pharmaceutical distribution infrastructure, and was fully committed to improving the accessibility to high-quality pharmaceutical services and products. Meanwhile, the Group also further promoted the sustainable development strategy, continued to explore the organic integration of business development and low-carbon transformation, made great efforts to promote the construction of a greener and low-carbon pharmaceutical logistics network, and strove to contribute to the building of a harmonious society and the realisation of green development. As of the end of 2023, the Company's rating of MSCI has been maintained as "A" for two consecutive years, and the score of S&P DJSI has also been continuously improved, ranking among the top in the industry. In the year of 2023, the Company was also listed in the Fortune China ESG Influence List, the "Central Enterprises ESG • Pioneer 100 Index" List and the "Hang Seng SCHK China Central SOEs ESG Leaders Index". The Company's sustainable development strategy has been recognized by all sectors of society.

Take endless pursuit as aim and persistent innovation as way. The innovation and iteration of information technology, medical digitalization and artificial intelligence accelerated the transformation and innovation of the service model of the pharmaceutical distribution industry, and also brought broader development space and opportunities for the industry. During the year, we kept pace with the times, focused on our main responsibilities and business and compliance operation, deepened technological transformation and service innovation, focused on integrated operation and specialized development, promoted layout optimization and structural adjustment of business, and continuously explored new development opportunities and growth points. In 2023, the Group took solid and powerful steps towards transformation: the achievements in the medical device manufacturing industry were visible, and a milestone step was taken in the high-end medical imaging equipment manufacturing business, realizing the landing of a localized domestic brand in the medical endoscopy market; digital transformation has been promoted in an orderly manner, the effectiveness of data governance has begun to appear, and a number of cases have been awarded the "2023 Innovative Cases of Digital Transformation in the National Pharmaceutical Industry", which provided a digital intelligence engine and support for the enterprise's high-quality development. The innovation of services has been accelerated in implementation, the advantages of integration have continued to emerge, and the revenue from the three-party logistics, SPD business and medical services has been continuously improved. The diversified development of various businesses and the transformation and innovation of models have brought brand-new dynamics energy to the development of enterprises, enhanced the stickiness between the Group and the upstream and downstream partners in the industrial chain while contributing revenue growth to the Group, and comprehensively promoted the innovative development of the industrial value chain.

Chairman's Statement

A skilled player plans a move ahead, a wise planner reaches further. The year of 2023 is the twentieth anniversary of the establishment of Sinopharm Group. Since its establishment, the Group has always adhered to the initial intention of "All for Health, Health for All", and has done solid work and made deep cultivation and efforts in the field of pharmaceutical and medical device distribution and comprehensive services, constantly providing high-quality products and services for the health and well-being of the public. From the initial turnover of less than RMB10 billion to the scale of nearly RMB600 billion now, the Group has continuously achieved leap-forward development, and the cornerstone of medium and long-term development has been continuously stabilized. Under the complicated and changeable market environment and industry policies, the Group has always maintained its leading position in the industry and solidly promoted the high-quality development.

In the future, guided by the newly revised "14th Five-Year Plan" and supported by "scientific and technological innovation", the Group will clarify the brand-new development orientation of "efficient organizer of pharmaceutical supply chain" and "comprehensive service solution provider in the industrial chain", focus on the "intellectualization, integration, platformization and internationalization", comprehensively build the comprehensive service capacity of supply chain in line with the national development strategy, and accelerate the construction of the "National Pharmaceutical and Medical Device Network" with obvious advantages. Meanwhile, the Group will accelerate the cultivation of strategic emerging industries, increase the investment and merger of device manufacturing, promote the in-deep integration of "Industry-Academia-Research-Application", build an independent industrial support platform, promote the diversified development of intelligent supply chain, medical services and other businesses, and comprehensively consolidate the new growth momentum of the Group's medium and long-term development.

Preserving without cease, taking promising future. In 2024, the Group will firmly grasp the primary task of high-quality development, persist in striving for progress while maintaining stability, continuously deepen reform and scientific and technological innovation, explore the formation of new quality productive forces, stimulate the vitality of the Company's development, and constantly open up the new prospects for the high-quality development of the Company. Meanwhile, we will always implement the philosophy of sustainable development, actively contribute to the society, empower the upstream and downstream of the industry with better medical and health products and services, continue to lead the development direction of the pharmaceutical distribution industry in the new era, and promote the green transformation and development of the pharmaceutical distribution industry with high efficiency.

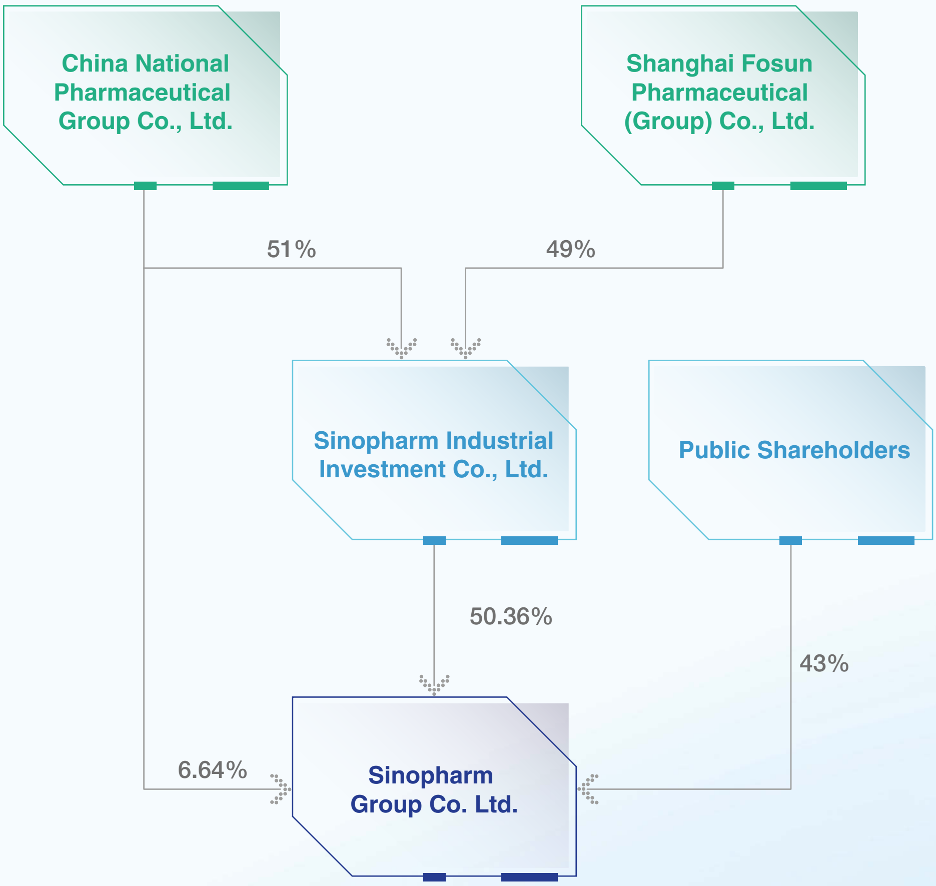
Standing at a new starting point of development, we look forward to working with you, striving to repay the shareholders and colleagues from all sectors of society who have been paying attention to us for a long time with steady performance returns. Let's forge ahead together and create greater glories!

Yu Qingming
Chairman & Executive Director

Shanghai, the PRC
22 March 2024

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

Review on Industrial Environment

Macro-economy witnessed growth momentum, and economic development recovered steadily

During the year of 2023, China's economy rebounded and improved, social and economic activities recovered steadily, and high-quality development was solidly promoted. China's economic growth rate ranked top among the major economies in the world. According to the data released by the National Bureau of Statistics of China, China's annual gross domestic product (GDP) for 2023 was RMB126.06 trillion, while China's economic growth in the same period exceeded RMB6 trillion, representing a year-on-year increase of 5.2%, and the growth rate was 2.2 percentage points higher than that in 2022. China's economy showed a steady recovery and rebound with an upward trend.

A smooth transition after the pandemic was achieved and the compliance supervision promoted transformation

During the Reporting Period, with the gradual subsiding of the COVID-19 pandemic, medical and health services returned to normal, and the entire pharmaceutical and healthcare industry returned to a stable and positive development trend. For the whole year of 2023, the total income of the basic medical insurance fund (including maternity insurance) was RMB2.71 trillion, and the total expenditure of the basic medical insurance fund (including maternity insurance) was RMB2.20 trillion, with the overall operation of the basic medical insurance fund running smoothly. With the gradual aging of the population and the implementation of policies such as "encouraging childbearing", the demand for medical services in society is increasing, accelerating the release of the growth potential of China's medical industry. In the second half of 2023, the National Health Commission and other nine ministries and commissions deployed and carried out a one-year centralized rectification work in the national medical field, which had a far-reaching impact on the landscape of the entire pharmaceutical and healthcare industry. While improving the industry governance system, the transformation and upgrading of the entire medical service industry was promoted to a compliant and professional model, and the scale advantages of leading enterprises accelerated to appear, further consolidating the foundation for the medium-and long-term healthy development of the pharmaceutical industry.

In addition, with the gradual deepening of the reform of medical insurance, the concentration of the pharmaceutical distribution industry has steadily increased and the service model of distribution enterprises continued to transform and innovate. Digital technologies such as artificial intelligence, big data and cloud computing are widely used and innovative service models such as intelligent medical care, remote diagnosis and personalized medical services are iteratively developed. The digitalization, networking and intellectualization of medical and health services have been rapidly improved, the sense of access and accessibility of medical services have been continuously enhanced and the differences in service capabilities and service efficiency became more apparent. The brand-new development trend continuously promoted the high-quality transformation of China's health industry, providing a solid guarantee for comprehensively promoting the construction of a "Healthy China".

Review on Business Highlights

The year of 2023 was the year of economic recovery and development after a smooth transition in the wake of the COVID-19 pandemic, and it was also the twentieth anniversary of the establishment of Sinopharm Group. The new trend of accelerating the transformation and deepening supervision of China's pharmaceutical and healthcare industry has put forward higher requirements and challenges for the high-quality and compliant development of the Group's business. Under the firm leadership of the Board and the management, Sinopharm Group actively responded to the national strategy, accelerated the implementation of various tasks of "deepening reform" and continuously consolidated the foundation of sustainable growth of businesses.

During the Reporting Period, the Group made a mid-term revision of the development strategy of the "14th Five-Year Plan", clarifying the development strategy of transformation and innovation, actively supporting the development of innovative businesses such as medical services and industrial manufacturing, continuously promoting the overall high-quality growth of the business, and facilitating diversified optimization of the business structure. In 2023, the Group's operating income was RMB596,569.57 million, representing a year-on-year increase of 8.05%, the increase in the market share was accelerated, the scale advantage continued to emerge, and the leading position in the industry was stable.

During the Reporting Period, the medical device distribution and retail pharmacy segments continued the past trend of the sound growth, and the pharmaceutical distribution business also recovered rapidly after the COVID-19 pandemic. As at the end of 2023, the percentage of the revenue from the Group's pharmaceutical distribution segment increased by 0.19 percentage point on a year-on-year basis to 71.44%. The percentage of the revenue from the Group's medical device distribution segment recorded a slight decrease of 0.09 percentage point on a year-on-year basis to 21.09%. The percentage of the revenue from the retail pharmacy segment remained the same as that of the same period of last year, reaching 5.78%. Due to the rapid growth of the pharmaceutical distribution segment during the Reporting Period and the adjustment and optimization of the business structure driven by the regulatory trend, during the Reporting Period, the gross profit margin achieved by the Group decreased by 0.46 percentage point on a year-on-year basis compared with 2022 to 8.13%. However, benefiting from the better cost control level and revitalising existing assets, the growth rate of the Group's net profit and net profit attributable to the parent company was higher than the growth rate of the gross profit, and the net profit for the whole year amounted to RMB15,009.83 million, representing a year-on-year increase of 4.63%, and the net profit attributable to the parent company amounted to RMB9,053.76 million, representing a year-on-year increase of 6.19%.

Pharmaceutical Distribution: distribution business recovered rapidly, and marketing services developed synergistically

During the year of 2023, the centralized procurement of the eighth and ninth batches of drugs organized by the State, involving 39 kinds of drugs and 41 varieties, were successively completed. As at the end of 2023, the National Healthcare Security Administration had organized nine batches of centralized procurement of drugs organized by the State, including 374 kinds of drugs, with an average price reduction of over 50%. The centralized volume-based procurement ("**VBP**") of drugs has been normalized and institutionalized, the terminal prices of drugs have dropped in an orderly manner, the supply chain and intermediate links have been significantly optimized, and the distribution efficiency has been continuously improved, promoting the transformation and upgrading of the pharmaceutical distribution service.

During the Reporting Period, the pharmaceutical distribution business of the Group recovered rapidly after the impact of the COVID-19 pandemic was eliminated, and the revenue from the pharmaceutical distribution business amounted to RMB441,050.70 million, representing a year-on-year increase of 8.47%. The Group actively sought new market segments and growth potential, accelerated the expansion of the vast primary-level market outside hospitals, continuously enhanced the network coverage, and steadily increased the proportion of direct sales business to primary medical institutions and retail pharmacies. As at the end of the Reporting Period, while achieving steady growth in key regions and markets such as Beijing, Shanghai, Jiangsu, Zhejiang, our businesses in broad north-west markets such as Gansu and Ningxia have developed rapidly, consolidating the leading edge of the industry.

Meanwhile, the Group focused on supporting the development of innovative services. The Group continuously strengthened the compliance supervision of marketing services and constantly improved the supply chain comprehensive service capability of innovative drugs and original research products by building a large-scale, compliant and professional marketing integration service system. Relying on the synergistic advantage and stickiness of distribution network, the Group efficiently integrated business resources, formulated professional and personalized marketing and promotion plans, gradually built a professional marketing system in the fields of severe and chronic diseases such as tumor and infection and expanded brand-new service scenarios and ecology. On the operation management basis, the Group's revenue from the pharmaceutical marketing business increased by more than 30% on a year-on-year basis during the Reporting Period, continuing the previous high-speed growth trend.

Medical Device Distribution: Service advantage continued to reveal and industrial manufacturing took solid progress

As at the end of 2023, the number of national centralized procurement projects for medical consumables (including reagents) has been expanded to four in an orderly manner. During the Reporting Period, the Group's medical device distribution segment actively adapted to the changes in the speed-up and expansion of VBP, and eliminated the impact of the base data of anti-pandemic supplies generated during the same period of last year. Meanwhile, the Group continued to promote high-quality business development by optimizing product structure and deepening the network coverage of the medical device distribution business. During the Reporting Period, the revenue from the medical device distribution business amounted to RMB130,212.94 million, representing a year-on-year growth of 7.75%. The application of policy tools, such as special bonds and special refinancing interest subsidy, accelerated the filling of shortcomings and weaknesses of medical resources. The rigid demand for medical services has led to a rebound in the quantity of outpatient services and surgeries on the hospital side after the pandemic, and the percentage of the revenue from medical consumables and medical equipment of the hospital recorded a year-on-year increase.

On the basis of the main business of distribution, the Group focused on extending supply chain services, and actively undertook 10 types of projects, such as management of equipment and assets and maintenance services, SPD services and medical testing projects by relying on its strong source coordination capability. As at the end of 2023, the Group has carried out device professional services in nearly 30 provinces, with the number of projects increased by 124 new SPD projects, 158 new single hospital centralised distribution projects and 4 new regional hospital consortium and medical community centralised distribution projects as compared to the end of 2022. With the rapid expansion of coverage of downstream medical institutions, the specialization and digitalization of services has also been continuously improved. During the Reporting Period, the number of new service patents and software copyrights reached 31 and 40, respectively, fully demonstrating the strategic supporting role of device supply chain services.

During the Reporting Period, the Group made a new breakthrough in R&D projects in the device manufacturing industry, and the commercialization arrangement was promoted in an orderly manner. At the beginning of 2023, Sinopharm formally signed a joint venture agreement with GE Healthcare, and at the end of November of the same year, the brand "SINO IMAGING" was officially released, marking the Group's official start of the manufacturing business of high-end medical imaging equipment. The 4K endoscope camera system independently developed by Sinopharm Xinguang (國藥新光) has obtained the marketing license, and the product has realized the full chain 4K data flow control from collection, transmission, processing and display, and has reached the international leading level in optical path design and production technique. Following the trend of "domestic substitution", the Group actively promoted the independence, safety, efficiency and controllability of the medical device supply chain, strove to enhance the independent scientific and technological attributes of high-quality medical device products, and strengthened the manufacturing and application of localized and domestic brands in the field of professional medical services, continuously laying a solid foundation for the Group to build a ecology of the entire medical device industry chain services.

Retail Pharmacy: Echoed the policy and optimized strategy, clarified the positioning and strengthened the ability

In the year of 2023, the impact of the COVID-19 pandemic was gradually eliminated, and the category structure of the retail business returned to normal. With the implementation of reform policies such as the reform of personal medical insurance accounts and the outpatient retail unification (門診統籌), the trend of patients returning to the hospital and primary medical institutions has appeared in a short period of time, and the overall growth rate of the retail pharmacy industry has slowed down. At the same time, the "dual- channel" policy has been promoted in various places in an orderly manner. The rising demand for special drugs for severe and chronic diseases in retail channel continuously promoted the outflow of prescriptions, which became a brand-new driving force for the growth of specialized pharmacies with strong pharmacy service capabilities.

During the Reporting Period, the Group further revised and improved the "14th Five-Year Plan" development strategy of the retail pharmacy business, and further promoted the implementation of core strategies such as "wholesale-retail integration" and "pharmaceutical-device synergic development" to strengthen the improvement of operating efficiency and profitability of the retail pharmacy business under the premise of ensuring steady sales growth. As of the end of 2023, the revenue from the retail pharmacy segment amounted to RMB35,689.38 million, representing a year-on-year increase of 8.22%. The revenue from professional pharmacies increased by over 20% on a year-on-year basis, which was consistently higher than the industry average growth level; the revenue from Guoda Drug Stores increased by approximately 1.3% on a year-on-year basis, and the profitable efficiency has improved significantly, with a year-on-year increase of 50.66% in the net profit. The retail pharmacy segment continued to maintain its leading competitive advantage in the industry.

The Group continuously strengthened the network layout and regional coverage of the retail business, focusing on improving the coverage of business blank areas and medical institutions, and forming a scale advantage by integrating retail core resources, so as to promote the healthy and sustainable development of retail diagnosis and treatment business with professional management, and finally improve the service capabilities directly facing C side. As of the end of the Reporting Period, the total number of retail pharmacy stores of the Group was 12,109, representing a net increase of 1,356 in total compared with the end of 2022, among which there were 10,516 Guoda Drug Stores, representing a net increase of 1,203 compared with the end of 2022, and 1,593 professional pharmacies, representing a net increase of 153 compared with the end of 2022, covering 30 provinces, municipalities and autonomous regions and 305 prefecture-level administrative regions in China, and the core competitiveness of the retail pharmacy business has been continuously enhanced.

During the Reporting Period, with the strong brand reputation and sound internal control system, the Group continuously optimized the structure of varieties, undertook the prescription outflow of prescription circulation centers and Internet hospitals in various provinces and cities, and consolidated the competitive advantages of the professional pharmacy service. Following the policy reform of the retail industry, the Group encouraged the regional companies to strengthen communication with regulatory authorities, enhance the ability to acquire qualifications of "dual-channel" and outpatient unified retail pharmacies, and undertake the demand for prescription outflow brought about by the reform policy. Through internal and external trainings and talent cultivation, the Group actively improved the allocation ratio and professional skills of licensed pharmacists, and comprehensively improved the service ability for and stickiness of C-side customers. As at the end of the Reporting Period, the total number of "dual-channel" qualified stores of the Group increased by about 28% compared with the end of 2022 to 1,127, among which there were 397 Guoda Drug Stores and 730 professional pharmacies, representing a net increase of 244 during the Reporting Period, and the network layout of "dual-channel" qualified stores was further improved.

Scientific and Technological Innovation: digital transformation improved efficiency, enhanced synergy facilitated growth

According to the "14th Five-Year Plan" development strategy revised in the mid-term, during the Reporting Period, the Group comprehensively promoted the transformation planning of national logistics infrastructure, made great efforts to build an integrated logistics operation system to realize the intensive management of warehousing resources, enhanced the coordination ability of logistics resources within the Group, strengthened the visualization and intellectualization level of logistics network, and effectively promoted the separation of management and control of the logistics and business flow. Through the reorganization and establishment of a national logistics management platform, the Group has further established logistics operation management and logistics asset management and implemented the construction of inter-provincial hubs, provincial and prefecture-level logistics centers and transfer stations, gradually expanded the coverage of integrated logistics management, building a full-format, side-to-side comprehensive logistics network and service system covering the pharmaceutical and medical device supply chain in an orderly manner.

According to the overall blueprint design of digital transformation, the Group actively accelerated the construction of digital transformation projects of various businesses covering pharmaceutical and medical device distribution, retail pharmacy and logistics services. During the Reporting Period, the Group has successfully completed the upgrading and transformation of the backbone networks of all provincial companies, and built a digital application technology basic platform with independent control and proprietary intellectual property rights, as well as an extensible development interface and integrated application portal, laying the foundation for orderly optimization of operating efficiency on the premise of ensuring the security of data assets.

Facing the fluctuation of macro-environment, during the Reporting Period, the Group focused on cost control and efficiency improvement, anchored revenue operating indicators such as net profit margin, cash flow and return on equity, and continuously improved the quality of business growth. The Group actively promoted the transformation of organizational operation model. Through centralized management and digital transformation, the Group carried out the business integration of provincial platforms in an orderly manner, promoted the departmental management of branches and subsidiaries, promoted the exploration and construction of financial sharing centers and human resource sharing centers, accelerated the transformation of integrated operation, continuously improved the expense management capability, tapped potential for efficiency improvement, and forged new core competitive advantages. As at the end of the Reporting Period, all the major expense ratio indicators of the Group had declined, among which, the selling and administration expense ratio was 4.38%, representing a year-on- year decrease of 0.13 percentage point, and the annual finance expense ratio (excluding factoring) was 0.41%, representing a year-on-year decrease of 0.17 percentage point. As at the end of the Reporting Period, the receivables turnover days of the Group were shortened by 4 days on a year-on-year basis, and the net (inflow) of the annual operating cash flow indicator amounted to RMB17,173.03 million, representing a year-on-year decrease of RMB3,790.75 million, and the gearing ratio was 68.62%, representing a year-on-year decrease of 1.21 percentage points compared with the same period of last year. The return on equity also maintained stable at approximately 13%.

Future Prospects

Looking forward to the future, with the in-depth implementation of the "Healthy China" strategy, the implementation of expansion of policies including the VBP and national medical insurance negotiation will further accelerate the formation of a unified national market and continuously promote the industrial concentration. The State's support for the health industry and innovative pharmaceutical and medical devices as well as the aging population and the growing demand for health consumption of residents will also be conducive to facilitating the medium- and long-term stable development of the entire medical and health industry.

In the short term, the recovery of medical industry still needs to overcome the impact brought by the COVID-19 pandemic and faces the challenge of a reduction in the profitability of transitional business due to the reform of medical insurance as well as the new situation and requirements of structural transformation and the development of new quality productive forces. Therefore, the Group will further optimize resource matching, accelerate the layout of strategic emerging industries and promote the extension of upstream and downstream industrial chains on the basis of consolidating the main responsibility and business. By building new core competitiveness, the Group will promote the diversified development of business structure and respond to the risk of external environment uncertainty with its own steady development.

Transformation and Innovation: Foster strategic emerging industries through innovation, and consolidate potential through diversified development

Accelerating the service transformation is an important strategy and top-level design of the Group. The Group will actively follow the regulatory requirements of the industry, promote the change of business model and build a professional marketing service system. Based on the three main businesses, the Group will further strengthen the organic linkage of hospital security, special pharmaceutical service, patient support and innovative payment, form a comprehensive supply chain ecosystem covering "medical, medicine, patient, insurance", give full play to the coverage and service advantages of terminal networks, build a comprehensive marketing system covering multiple categories and varieties of pharmaceuticals and medical devices and actively lead the transformation and expansion of industry service models.

The Group will accelerate the cultivation of strategic emerging industries such as device manufacturing and industrial research and development, promote the integration of "industry-academia-research- application", leverage on resource endowment of Sinopharm Group to speed up the replication and promotion of newly cultivated businesses, lead the innovation of business models and science and technology, promote the integration and coordinated development of multiple business, and build new profit growth points and competitive advantages.

In terms of logistics services, the Group will make full use of the national multi-warehouse resources to match the logistics transformation, empower the national business development, deeply tap the market share of the three-party logistics, and form a synergistic advantage across regions and businesses. Meanwhile, the Group will continue to accelerate the intelligentization of logistics facilities, build a digital management and control platform for asset projects, and vigorously explore the application of energy-saving and emission reduction technologies, so as to promote the green and low-carbon transformation and development of logistics projects.

Pharmaceutical and Medical Device Distribution: build a leading "pharmaceutical and medical device network", extend services and improve stickiness

The Group will give full play to the synergistic advantages of pharmaceutical-medical device synergic development with the channel integration and product struction optimization as major promotion focus, and improve and perfect the network layout. The Group will actively focus on the customers of secondary and tertiary medical institutions, vigorously expand new customers such as urban hospital consortia and county-level medical communities, deepen the coverage of terminal networks at the primary level through the "channel sinking" project, continuously expand the market share through endogenous growth, and further improve the comprehensive service capacity of the pharmaceutical logistics network.

Meanwhile, the Group will vigorously strengthen the cultivation of professional service capabilities, build an intelligent service system of the supply chain, and continue to carry out value-added service projects. On the basis of undertaking the delivery service of the varieties of pharmaceuticals and medical devices of VBP and the direct delivery demand of production enterprises, the Group will optimize the business structure, aim at the varieties and services with high clinical value and high gross profit, accelerate the exploration of the innovation and extension of service models, and promote the continuous improvement of income scale and business stickiness.

Retail Pharmacy: focus on policies and enhance services, improve network layout and promote transformation

The Group will further strengthen the implementation of the strategy, leverage the optimization of network layout of chain pharmacies through the endogenous growth and outreach mergers and acquisitions to fully meet the diversified service demands of patients through the differentiated layout of social pharmacies and professional pharmacies. The Group will follow the trend of the reform of medical insurance, actively connect with the policies such as "dual-channel" and "outpatient retail unification", continuously improve professional pharmacy service and the medical insurance service undertaking capability at C-side, enhance the profitability and operating quality, and maintain the steady growth of the retail business.

Operation Management: digital transformation and technology driven, improve efficiency and strictly control risks

According to the overall blueprint design of digital transformation, the Group will continue to follow the trend of technological change, actively use cutting-edge technical tools such as digitalization, intellectualization and automation to accelerate the digital transformation and construction of data governance projects, and continuously improve the business operating efficiency and per capita production efficiency of the Group.

Meanwhile, the Group will further strengthen risk management and control, actively introduce short- cycle businesses, optimize and improve customer account period, further focus on the management and control of account receivables and liquidity, comprehensively promote the integrated construction of provincial-level platforms for credit and account receivables management and control, and strengthen the risk supervision of high-risk customers.

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 RMB596,569.57 million, representing an increase of RMB44,422.02 million or 8.05% as compared with the corresponding period of last year.

During the Reporting Period, the Group recorded a profit of RMB15,009.83 million, representing an increase of RMB664.39 million or 4.63% as compared with the corresponding period of last year. Profit attributable to owners of the parent amounted to RMB9,053.76 million, representing an increase of RMB528.10 million or 6.19% as compared with the corresponding period of last year.

During the Reporting Period, basic earnings per share of the Company amounted to RMB2.90, representing an increase of 6.23% as compared with the corresponding period of last year.

Revenue

During the Reporting Period, the Group recorded a revenue of RMB596,569.57 million, representing an increase of 8.05% as compared with RMB552,147.55 million for the twelve months ended 31 December 2022, which was primarily due to the increase in revenue from the Group's pharmaceutical distribution business, retail pharmacy business and medical device distribution business.

- Pharmaceutical distribution segment: during the Reporting Period, the revenue from pharmaceutical distribution of the Group was RMB441,050.70 million, which accounted for 71.44%[1] of the total revenue of the Group and represented an increase of 8.47% as compared with RMB406,603.53 million for the twelve months ended 31 December 2022. Such increase was mainly due to the increase in the distribution scale and the growth of the acquisition rate of the varieties involved in VBP.

- Medical device distribution segment: during the Reporting Period, the revenue from medical device distribution of the Group was RMB130,212.94 million, which accounted for 21.09%[1] of the total revenue of the Group and represented an increase of 7.75% as compared with RMB120,851.48 million for the twelve months ended 31 December 2022. The increase was primarily due to the expansion of distribution territories, the addition of new products for distribution and the growth of winning customers.

- Retail pharmacy segment: during the Reporting Period, the revenue from retail pharmacy of the Group was RMB35,689.38 million, which accounted for 5.78%[1] of the total revenue of the Group and represented an increase of 8.22% as compared with RMB32,979.34 million for the twelve months ended 31 December 2022. 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 RMB10,385.63 million, representing an increase of 1.73% as compared with RMB10,209.12 million for the twelve months ended 31 December 2022. The increase was primarily due to the growth in marketing and service income.

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1 The above ratio is calculated by dividing the revenue from the relevant business segment by the Group's total revenue. On the other hand, the pharmaceutical distribution segment, medical device distribution segment, and retail pharmacy segment accounted for 73.93%, 21.83%, and 5.98% of the Group's total revenue (after deducting income from intra-group transactions) respectively.

Cost of Sales

During the Reporting Period, the cost of sales of the Group was RMB548,057.89 million, representing an increase of 8.59% as compared with RMB504,713.49 million for the twelve months ended 31 December 2022. The increase was primarily due to the increase in the 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 RMB48,511.68 million, representing an increase of 2.27% as compared with RMB47,434.06 million for the twelve months ended 31 December 2022. The gross profit margin of the Group for the twelve months ended 31 December 2022 and 2023 were 8.59% and 8.13%, respectively.

Other Income

During the Reporting Period, other income of the Group was RMB582.01 million, representing a decrease of 13.92% as compared with RMB676.16 million for the twelve months ended 31 December 2022. The decrease was primarily due to the decrease 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 RMB17,471.69 million, representing an increase of 4.50% as compared with RMB16,719.56 million for the twelve months ended 31 December 2022. The increase in selling and distribution expenses was primarily attributable to the purchase of promotion services from third parties by the Group, the enlarged operation scale of the Group, the business exploration and the expansion of distribution network coverage through set-ups of companies.

Administrative Expenses

During the Reporting Period, the administrative expenses of the Group were RMB8,678.07 million, representing an increase of 6.04% as compared with RMB8,183.56 million for the twelve months ended 31 December 2022. 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 RMB20,209.20 million, representing a decrease of 1.92% from RMB20,604.47 million for the twelve months ended 31 December 2022.

Other Gains – Net

During the Reporting Period, the other net gains of the Group increased to RMB661.28 million from RMB122.20 million for the twelve months ended 31 December 2022. The increase was primarily due to the increase in the gain on disposal of property, plant and equipment and right-of-use assets.

Other Expenses

During the Reporting Period, the other expenses of the Group amounted to RMB35.32 million, representing a decrease of RMB4.60 million as compared with RMB39.92 million for the twelve months ended 31 December 2022, which was due to reversal for impairment of prepayment and the provision for the impairment of intangible assets during the year.

Finance Costs – Net

During the Reporting Period, the finance costs – net of the Group was RMB2,430.37 million, representing a decrease of 23.81% as compared with RMB3,189.99 million for the twelve months ended 31 December 2022. The decrease was primarily due to the decrease of the borrowing interest rates during the year.

Share of Profits of Associates

During the Reporting Period, the Group's share of profits of associates was RMB1,111.57 million, representing an increase of 4.46% as compared with RMB1,064.16 million for the twelve months ended 31 December 2022.

Share of Profits and Losses of Joint Ventures

During the Reporting Period, the Group's share of losses of joint ventures was RMB4.22 million, representing a decrease of 244.88% as compared with the share of profits of joint ventures which was RMB2.91 million for the twelve months ended 31 December 2022.

Income Tax Expenses

During the Reporting Period, the Group's income tax expenses were RMB4,502.31 million, representing an increase of RMB283.93 million as compared with RMB4,218.38 million for the twelve months ended 31 December 2022. The increase was primarily due to the increase in pre-tax profits of the Group, which led to a corresponding increase in income tax expenses. The Group's actual income tax rate increased to 23.07% during the Reporting Period from 22.72% for the twelve months ended 31 December 2022.

Profit for the Year

As a result of the above-mentioned factors, the profit of the Group for the year of 2023 was RMB15,009.83 million, representing an increase of 4.63% as compared with RMB14,345.44 million for the twelve months ended 31 December 2022. The profit margin of the Group for the twelve months ended 31 December 2023 and 2022 were 2.52% and 2.60%, respectively.

Profit Attributable to Owners of the Parent

During the Reporting Period, profit attributable to owners of the parent of the Company was RMB9,053.76 million, representing an increase of 6.19% or RMB528.10 million from RMB8,525.66 million for the twelve months ended 31 December 2022.

Profit Attributable to Non-controlling Interests

During the Reporting Period, profit attributable to non-controlling interests of the Company was RMB5,956.07 million, representing an increase of 2.34% or RMB136.28 million from RMB5,819.79 million for the twelve months ended 31 December 2022.

Liquidity and Capital Resources

Working capital

During the Reporting Period, the Group had commercial banking facilities of RMB294,573.27 million, of which approximately RMB148,120.82 million were not yet utilized. As at 31 December 2023, the Group had cash and cash equivalents of RMB63,808.54 million, which primarily comprised 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 2023 and 2022, respectively:

	2023 **RMB million**	2022 RMB million
Net cash generated from operating activities	**17,173.03**	20,963.78
Net cash used in investing activities	**(944.53)**	(3,589.62)
Net cash used in financing activities	**(7,643.97)**	(5,693.48)
Increase in cash and cash equivalents	**8,584.53**	11,680.68
Cash and cash equivalents at the beginning of the year	**55,221.62**	43,529.43
Foreign exchange gain and loss	**2.39**	11.51
Cash and cash equivalents at the end of the year	**63,808.54**	55,221.62

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 distribution and other business segments. During the Reporting Period, the Group's net cash generated from operating activities amounted to RMB17,173.03 million, representing a decrease of RMB3,790.75 million from RMB20,963.78 million for the twelve months ended 31 December 2022.

Net cash used in investing activities

During the Reporting Period, the net cash used in investing activities of the Group was RMB944.53 million, representing a decrease of RMB2,645.09 million as compared with RMB3,589.62 million for the twelve months ended 31 December 2022.

Net cash used in financing activities

During the Reporting Period, the net cash used in financing activities of the Group was RMB7,643.97 million. The net cash used in financing activities of the Group for the twelve months ended 31 December 2022 was RMB5,693.48 million, and such increase was mainly due to the repayment of interest-bearing bank borrowings and other borrowings during the period.

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 RMB2,488.43 million and RMB2,482.44 million for the year ended 31 December 2023 and 2022, respectively, which was primarily due to the purchase of property, plant and equipment.

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 and fiscal policies

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. The Group's business faced a variety of fiscal risks: market risk (including foreign exchange risk, fair value and cash flow interest rate risk), credit risk and liquidity risk. The Group's risk management addresses the unpredictability of financial markets and minimises potential adverse effects on the Group's financial performance. The Group didn't use derivative financial instruments to hedge its exposure to changes in foreign currency exchange rates and interest rates.

During the Reporting Period, the Group has successfully issued super short-term commercial papers of RMB13.0 billion, for the purpose of broadening the financing channels, reducing financing costs, so as to repay bank borrowings and replenish the working capital.

The Group's borrowings are mainly denominated in RMB.

As at 31 December 2023, 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**"), Great Britain Pound ("**GBP**"), Swiss Franc ("**CHF**") and Japanese Yen ("**JPY**").

Indebtedness

As at 31 December 2023, the Group had aggregated banking facilities of RMB294,573.27 million (31 December 2022: RMB274,967.78 million), of which RMB148,120.82 million (31 December 2022: 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 2023, RMB54,730.45 million (31 December 2022: RMB52,997.25 million) will be due within one year and RMB13,834.04 million (31 December 2022: 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. As at 31 December 2023, interest-bearing bank borrowings and other financial institutions borrowings were carried at floating interest rates with a weighted average effective annual interest rate of 2.82% for the year ended 31 December 2023 (for the year ended 31 December 2022: 2.94%).

Gearing ratio

As at 31 December 2023, the Group's gearing ratio was 68.62% (31 December 2022: 69.83%), which was calculated based on the total liabilities divided by total assets as at 31 December 2023.

Credit Risk

The Group will focus on the recovery of account receivables with a maturity of more than one year, inventory risk and liquidity control, credit exposure and other potential risks, coordinate development and safety, continuously improve the level of compliance supervision, and prevent and control business operation risks. Meanwhile, the Group will continue to review the credit risk of trade receivables and fully consider changes in business structure and customer structure, changes in the macroeconomic environment and specific industry factors. At the same time, the Group will also continue to review the Group's customer credit risk characteristic portfolios to ensure that the division of credit risk characteristic portfolios can fully reflect the risk characteristics of different types of customers, and the Group will assess the accounting estimates such as historical observed default rates and forward- looking adjustments in a more prudent manner to ensure that the provision matrix of the Group's expected credit loss can fully reflect the impairment provisions for trade receivables. As at 31 December 2023, the trade and bills receivables of the Group in aggregate amounted to RMB184,433 million (31 December 2022: RMB169,753 million) and its aging analysis is set out in note 29 to the consolidated financial statements.

The Group has established a sound customer credit management system and trade receivables management measures to prevent credit risks and improve the turnover efficiency of trade receivables, and major measures included but not limited to: (i) establishing a scientific and rational credit evaluation model to strictly review and approve credit limits and credit term of customers; (ii) reviewing the actual sales, collection of trade receivables and financial information of customers on a regular basis, and implementing a dynamic management on customers' credit limits and terms; (iii) strengthening the regular monitoring and analysis of several indicators such as the balance of trade receivables with a maturity of more than one year, balance of trade receivables overdue and turnover days of trade receivables based on different customer bases; and (iv) strengthening the reconciliation and collection of trade receivables, especially receivables with a maturity of more than one year and overdue receivables, developing practical collection measures and repayment terms, and other necessary measures.

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 2023, part of the Group's borrowings and notes payable were secured by trade and notes receivable with book value of RMB1,826.62 million (31 December 2022: RMB2,366.86 million), bank deposits of RMB11,011.08 million (31 December 2022: RMB12,038.00 million), and property, plant and equipment with book value of RMB8.30 million (31 December 2022: RMB20.38 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.

Significant Investment

During the Reporting Period, the Group had no significant investments. As at the date of this report, the Board has not approved any plans for material investments or purchase of capital assets.

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 2023, the Group neither had any material contingent liability, nor had any material litigation.

Human Resources

As at 31 December 2023, the Group had a total of 115,959 employees (as at 31 December 2022: 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-based 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 remuneration is the basic fixed annual income; the performance-based remuneration 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. During the Reporting Period, the details of employee benefit expenses of the Group is set out in the 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 people of all genders to join, and promises to provide equal opportunities for employees in terms of recruitment, training and development, job promotion, salary and benefits, etc., and protect employees' rights and interests from infringement. As at the end of the Reporting Period, the male to female ratio of all employees (including senior management) of the Group 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, unless early termination is proposed by the Board and approved by the shareholders. Early termination of the Incentive Scheme prior to its expiry date shall not affect any subsisting rights of restricted shares of the participants under the Incentive Scheme.

The scope of scheme participants for the Scheme shall include Directors, senior management and mid-level management of the Company and 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 exercise price shall be funded by the scheme participants, and the balance for purchasing the restricted shares will be funded by the Company. The scheme participants are not required to pay the consideration for qualification with respect to acceptance of 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 Listing Rules, the Securities and Futures Ordinance (Cap. 571), 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 resources, and the realisation and enhancement of employees' values will facilitate the achievement of the Group's overall goals. For the year ended 31 December 2023, 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 to consistently providing quality products to establish a reliable service environment for its customers. For the year ended 31 December 2023, 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.

Corporate Culture

As a top-rank wholesaler and retailer of pharmaceutical products and medical devices and a leading supply-chain service provider in the PRC, the Group has always adhered to the initial intention of "All for Health, Health for All", and has done solid work and made deep cultivation and efforts in the field of pharmaceutical and medical device distribution and comprehensive services, constantly provided high-quality products and services for the health and well-being of the public. We adhere to the people-oriented corporate culture, attach great importance to talent development and cultivation, technological innovation and transformation development, good compliance culture, operation management and safety and environmental protection management, actively create an intellectual property culture protection atmosphere while extensively carrying out technological innovation, encourage employees to participate in the construction of corporate risk management culture, and follow the strict Party governance and clean and compliant operation.

Corporate Mission

All for Health, Health for All

Interpretation:

Health to life is just like light to the sun; with health, life is endless and brilliant; life becomes beautiful because of health, and life becomes wonderful because of health; "All for Health, Health for All" is our lofty mission, constant promise and endless pursuit; we will always be by your side. All for health from beginning to end, careful and meticulous health for all.

Corporate Vision

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

Interpretation:

Comprehensively serve the strategy of healthy China, actively fulfill the responsibility of pharmaceutical central enterprises, and better meet the people's growing needs for a better life.

Further information about the Group's corporate mission, vision, compliance culture, corporate identity and company anthem are set out in the "Corporate Culture" column of the Company's website.

During 2023, the Group continued to strengthen the construction and practice of corporate culture through a number of measures, including providing special training, lecture sharing and case sharing to relevant personnel, continuously improving the internal control manual and establishing relevant management systems. Further details about the Group's corporate culture and related initiatives are set out in the sections headed "Chairman's Statement" and the "Corporate Governance Report" of this annual report and the 2023 Sustainability Report. The progress and achievements of the Group in implementing the corporate culture during the Reporting Period are set out in the section headed "Management Discussion and Analysis" of this annual report.

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 (Chairman) and Mr. Liu Yong; eight non-executive Directors, namely Mr. Chen Qiyu, Mr. Hu Jianwei, Mr. Deng Jindong, Mr. Wang Kan, Mr. Wang Peng, Mr. Wen Deyong, Mr. Li Dongjiu and Ms. Feng Rongli; and five independent non-executive Directors, namely Mr. Chen Fangruo, Mr. Li Peiyu, Mr. Wu Tak Lung, Mr. Yu Weifeng and Mr. Shi Shenghao. For details of the composition of the Board during the Reporting Period and the terms of non-executive Directors, please refer to "Report of the Board of Directors – Details of Directors, Supervisors and Senior Management". 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 diversified 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.

Note: The percentages shown in the above chart refer to the proportion 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, its 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 2023 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. The 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; and

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

The details of changes of Directors and Supervisors during the Reporting Period are as follows:

(1) On 18 May 2023, Mr. Zhuo Fuming resigned as an independent non-executive Director, a member of the audit committee and a member of the nomination committee due to attainment of the term of service of independent non-executive Directors as stipulated in the Rules of Procedure of Board of Directors of the Company, which took effect from 15 June 2023.

(2) On 15 June 2023, Mr. Shi Shenghao was appointed as an independent non-executive Director at the general meeting of the Company. Mr. Shi Shenghao also served as a member of the audit committee and a member of the nomination committee from the date of his election as an independent non-executive Director, as well as a member of the strategy and investment committee since 25 August 2023.

(3) On 15 September 2023, Mr. Wang Peng was appointed as a non-executive Director at the general meeting of the Company. On the same day, Mr. Wang Peng retired as a shareholder representative Supervisor.

(4) On 15 September 2023, Mr. Guo Jinhong was appointed as a shareholder representative Supervisor at the general meeting of the Company.

(5) On 25 August 2023, Mr. Ma Ping resigned as a non-executive Director and a member of the strategy and investment committee, which took effect on 15 September 2023.

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 eighteen Board meetings, thirteen 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	Attendance of Board meetings/No. of meetings held during the term of office	Attendance of General meetings/ No. of meetings held during the term of office
Executive Directors		
Mr. Yu Qingming	18/18	5/5
Mr. Liu Yong	18/18	4/5
Non-executive Directors		
Mr. Chen Qiyu	18/18	5/5
Mr. Ma Ping (retired on 15 September 2023)	10/10	4/4
Mr. Hu Jianwei	16/18	4/5
Mr. Deng Jindong	18/18	5/5
Mr. Wang Kan	18/18	5/5
Mr. Wang Peng (appointed on 15 September 2023)	8/8	1/1
Mr. Wen Deyong	14/18	4/5
Mr. Li Dongjiu	18/18	5/5
Ms. Feng Rongli	16/18	5/5
Independent Non-executive Directors		
Mr. Zhuo Fumin (resigned on 15 June 2023)	7/7	1/1
Mr. Chen Fangruo	17/18	5/5
Mr. Li Peiyu	17/18	5/5
Mr. Wu Tak Lung	17/18	5/5
Mr. Yu Weifeng	18/18	5/5
Mr. Shi Shenghao (appointed on 15 June 2023)	11/11	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 monthly 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 the Company's Hong Kong legal advisers to all Directors. Meanwhile, all Directors have participated in continuing professional development and relevant topic training or reading relevant materials to broaden and update their knowledge base and skills.

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

Directors	Special training (Notes)
Executive Directors	
Mr. Yu Qingming	A, B
Mr. Liu Yong	A, B
Non-executive Directors	
Mr. Chen Qiyu	A
Mr. Hu Jianwei	A, B
Mr. Deng Jindong	A, B
Mr. Wang Kan	A, B
Mr. Wang Peng (appointed on 15 September 2023)	A, B
Mr. Wen Deyong	A, B
Mr. Li Dongjiu	A, B
Ms. Feng Rongli	A, B
Independent Non-executive Directors	
Mr. Chen Fangruo	A, B
Mr. Li Peiyu	A
Mr. Wu Tak Lung	A, B
Mr. Yu Weifeng	A, B
Mr. Shi Shenghao (appointed on 15 June 2023)	B

Notes:

A. On 24 March 2023, directors during their term of office completed the study on the "Materials Relating to the Study and Implementation of the Spirit of the 20th CPC National Congress – Promotion of Strict Self Governance of the Party in All Aspects and Further Development of Sinopharm Group" prepared by the Company's Disciplinary Committee. Mr. Wang Peng attended the special training A as a Supervisor.

B. On 27 October 2023, directors during their term of office attended the training on "Overview of the Main Responsibilities of Directors and Supervisors and Important Tips on Mergers and Acquisitions, Placement and Continuing Connected Transactions of Financial Services" provided by DLA Piper, the overseas legal adviser.

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. Li Peiyu, Mr. Shi Shenghao, 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 mainly 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. Li Dongjiu	5/5
Mr. Zhuo Fumin (resigned on 15 June 2023)	3/3
Mr. Li Peiyu	4/5
Mr. Shi Shenghao (appointed as a member of the Audit Committee on 15 June 2023)	2/2

Note: The members of the Audit 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 Audit Committee reviewed the Group's 2022 annual results, 2023 interim results, 2023 first quarterly results and 2023 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, formulation of the whistleblowing policy of the Company, change of auditors for 2023, internal control self-assessment report for the year, report on the quality assessment on internal audit work for the year, construction of the internal control system for the year, etc.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2023 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 2023. 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 2023 annual results announcement and the 2023 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. Chen Fangruo, Mr. Wu Tak Lung, Mr. Yu Weifeng, Mr. Shi Shenghao; two non-executive Directors, namely Mr. Hu Jianwei, Ms. Feng Rongli; and one executive Director, namely Mr. Yu Qingming, with Mr. Yu Qingming serving 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;
- identifying 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 first 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, there is one female Director in the Board of the Company (Ms. Feng Rongli serves as a non-executive Director of the Company), and the Company will maintain at least one female Director. In order to achieve sustainable and balanced development, the Group will be committed to enhancing the overall diversity of the members of the board of directors of the Group in the long run. It is proposed that the average proportion of female members of the board of directors of the Company and its secondary subsidiaries within the PRC will be no less than 20% before the expiry of the term of office of the sixth 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, two meetings were 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	2/2
Mr. Hu Jianwei	2/2
Ms. Feng Rongli	2/2
Mr. Zhuo Fumin (resigned on 15 June 2023)	1/1
Mr. Chen Fangruo	2/2
Mr. Wu Tak Lung	2/2
Mr. Yu Weifeng	2/2
Mr. Shi Shenghao (appointed as a member of the Nomination Committee on 15 June 2023)	1/1

During the Reporting Period, the Nomination Committee mainly reviewed the resolution on nominating Mr. Shi Shenghao as an independent non-executive Director of the fifth session of the Board of the Company, the resolution on nominating Mr. Wang Peng as a non-executive Director of the sixth session of the Board of the Company and the resolution on re-election of the fifth session of the Board and election of members of the sixth session of the Board of the Company. The Nomination Committee carefully discussed the work experience and professional qualifications of Director candidate and the benefits that may be brought 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, four 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	3/4
Mr. Wu Tak Lung	4/4
Mr. Yu Weifeng	4/4
Ms. Feng Rongli	4/4

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: the resolution on the advance payment of annual salary to the management team of the Company for 2022, the resolution on the settlement of the total wage of the Company for 2022, resolution on the performance appraisal plan of the Company for 2023, the resolution on the assessment and annual salary settlement for the management team of the Company for the year 2022, the resolution on the excess profit reward of the management team of the Company for the year 2022, etc.

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, five non-executive Directors, namely Mr. Chen Qiyu, Mr. Hu Jianwei, Mr. Deng Jindong, Mr. Wen Deyong and Mr. Li Dongjiu; and three independent non-executive Directors, namely Mr. Chen Fangruo, Mr. Li Peiyu and Mr. Shi Shenghao, 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, six 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	6/6
Mr. Chen Qiyu	6/6
Mr. Hu Jianwei	5/6
Mr. Ma Ping (retired on 15 September 2023)	4/4
Mr. Deng Jindong	6/6
Mr. Liu Yong	6/6
Mr. Wen Deyong	3/6
Mr. Li Dongjiu	6/6
Mr. Chen Fangruo	6/6
Mr. Li Peiyu	5/6
Mr. Shi Shenghao (appointed as a member of the Strategy and Investment Committee on 25 August 2023)	2/2

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 about the strategic planning of the Company's relevant business segments and considered various types of equity investments and other 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 (the "**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 serving 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, one meeting was 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	1/1
Mr. Yu Qingming	1/1
Mr. Liu Yong	1/1

During the Reporting Period, the Legal and Compliance and ESG Committee mainly reviewed the resolution on report of preparation and publication of the Company's Sustainability Report for 2022.

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 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 standards in relation to the securities transactions by the Directors and the Supervisors as required in the Model Code during the Reporting Period.

Remuneration of Auditors

Ernst & Young Hua Ming LLP, the former domestic auditor of the Company, and Ernst & Young, the former international auditor of the Company (collectively referred to as "**Ernst & Young**") had served as the independent external auditors of the Group since the date of 2016 annual general meeting of the Company. As the term of service of Ernst & Young has reached the prescribed time limit, upon the expiration of its term of service at the 2022 annual general meeting of the Company, the Company appointed PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the international auditor and domestic auditor of the Company, respectively, at the 2022 annual general meeting of the Company. The remuneration paid and payable by the Group to PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP in respect of the services provided during the Reporting Period is as follows:

Services provided	**Fee paid and payable**
Audit service provided for 2023	RMB30,287,000
Non-audit service provided for 2023	RMB403,000

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.

Amendments to the Articles of Association

On 27 October 2023, the Board resolved to propose to amend relevant information on the address of the Company in the Articles of Association of the Company. The proposed amendment has been considered and approved at the extraordinary general meeting held on 20 December 2023 and the Company has obtained the updated business license issued by Shanghai Municipal Administration for Market Regulation with respect to the change of the registered address on 12 March 2024. For details, please refer to the announcements of the Company dated 27 October 2023, 20 December 2023 and 12 March 2024.

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 2023, the work of investor relations of the Group and communication with Shareholders was conducted in a constant and orderly manner under the leadership and support of the Board of Directors and operational management. The Company regularly convened results announcement conferences, during which the management communicated face-to-face with capital market participants, and fully fulfilled its information disclosure obligations. The Company successively arranged three rounds of overseas roadshows and investor communications during the Reporting Period, provided in-depth and detailed answers to key concerns for investors and achieved good communication results. In conjunction with the business innovation and integrated transformation of the Company, the Company made arrangements for reverse business research with Shareholders and institutional investors to further deepen the understanding and judgment of investors on the Company's business. In addition, through actively participating in various industry seminars or strategy seminars organized by various domestic and overseas investment banks and research institutions, one-to-one communication and other ways, the Company strengthened the regular interaction and relationship maintenance with analysts and investors. In 2024, the Group will continue to arrange various communication and exchange, company roadshows as well as general meetings, etc., to keep a close interaction with Shareholders and investors of the Company, perform the information disclosure obligation according to laws and regulations, continuously enhance the ability to deal with complex situations in the capital market, closely track the market changes, and constantly improve response speed, decision-making efficiency and execution efficiency 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, to the knowledge of the independent non-executive Directors, CNPGC has complied with the terms of such agreement during the year ended 31 December 2023. CNPGC has undertaken to the Company that it shall comply with the terms of the Non-Competition Agreement.

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 receive any written notices mentioned above.

Risk Management and Internal Control

The Board has established a risk management and internal control system in accordance with the requirements of code provision D.2 of the Corporate Governance Code 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, the Group has established a sound risk management and internal control organization system which includes the Board, the Audit Committee under the Board, 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, sufficient 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 departments having 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 of the works conducted by the audit center, discipline inspection committee and external consultants such as the auditors and reviewing of the 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 supervision 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 major risks faced by the Company in 2023 were customer's credit risk, reform and business transformation risk and policy risk.

In terms of customers' credit risks, China entered a new normal of medium-low economic growth, and the vitality of funds was insufficient. Medical institutions were affected by the pandemic and financial allocation, the funds were tight and the credit period was lengthened, making it more difficult for the Company to recover the accounts receivable. In order to effectively prevent customers' credit risks, the Company built a provincial-level credit management platform, implemented integrated credit management, carried out refined management of all customers by grading and classification, and established a long-term mechanism of lean management of accounts receivable with "whole process, all nodes, refinement and scientificity". In addition, the Company also actively explored the mechanism of joint medical institutions to solve the accounts receivable problems, strengthened government communication and government-enterprise cooperation, and properly maintained the customer relationship. For further discussion on the credit risks of the Group, please refer to the section headed "Management Discussion and Analysis-Credit Risk" of this annual report.

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. The competition in traditional businesses has intensified and the profitability has been declining. Under the increasing pressure of reform and business transformation, the Company took comprehensive measures to conduct special research on the hot policies of the pharmaceutical industry, dynamically analyzed the competitive pattern of the industry for competitive enterprises and cross-industry enterprises, demonstrated the Company's future development direction and core competitiveness and the matching of related resources and initiatives, and clarified the development path and direction of each business segment, so as to clarify the thinking, unify understanding and build consensus for the Company's strategic development during the "14th Five-Year Plan".

In terms of policy risks, with a series of strategic medical insurance purchase policies, such as VBP of drugs organized by the State and VBP of high-value medical consumables, the growth rate of the industry slowed down and the gross profit margin declined. The DRGs/DIP payment model has been continuously promoted, and the market variety landscape has been adjusted. At the same time, the rapid development of the O2O model of Internet hospitals and pharmaceutical retail has brought great challenges to all aspects of the Company's operation. In order to adapt to the rapid changes in industry policies and market demand, the Company proactively adapted to the evolving needs of the industry, grasped the market sales and iteration of varieties in a timely manner, and dynamically optimized the category structure to meet the needs of the market and various customers. In addition, the Company accelerated the improvement of prescription acquisition capacity and explored the construction of an electronic prescription circulation platform and its own third-party platform. At the same time, the Company actively promoted the innovation of supply chain model and service transformation, and built new growth points for the Company's development.

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 2023, 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 continuously optimized internal control management tools and templates such as control list, framework and evaluation criteria for key areas and key processes of various business segments and promoted their application in each subsidiary. In addition, the Company continued to improve the internal control system, regularly organized system sorting and review, and continuously carried out the enaction, revision, abolishment and interpretation of the system to ensure the systematism, standardization, operability and stability of the Company's systems. In 2023, 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 2023, and organized the revision and signing of the Responsibility Letter for Compliance Operation and Integrity Practice. According to the Group's requirements on implementing various self-inspection and evaluation of the Measures for the Compliance Management of Central State-owned Enterprises, on the one hand, the Group took the lead in further improving the construction of the overall compliance organizational structure of Sinopharm Group, and on the other hand, based on sorting out the compliance management of the "Three Lists" (Risk Identification List, Job Responsibilities List, Process Control List), the Group led the organization to carry out self-evaluation of the effectiveness of the compliance management system at all levels, focusing on analyzing the compliance management construction, operational effectiveness, and compliance management in key areas and business compliance risk control of the Company. The Company supervised each secondary company on compliance with the practice of corporate compliance management and 33 secondary subsidiaries have completed the appointment of chief compliance officers. The Company carefully sorted out and improved the management and control of responsibilities for major positions and key processes, actively identified various risk issues, and compiled the "Three Lists" as required, so as to implement compliance requirements into the job and embed them in the process, and submit the lists of various departments at the headquarters and secondary subsidiaries to the Group for filing. In terms of education and training, the Company conducted four lectures on the rules of law for legal compliance personnel of all subsidiaries throughout the year; conducted on-site trainings on the rules of law for subsidiaries (such as providing compliance and integrity warning education and training for Sinopharm Equipment, Sinopharm Innovation Development Research Institute, Sinopharm Chemical Reagent, Sinopharm Guizhou, Sinopharm Shenyang, Sinopharm Hubei and other subsidiaries) and achieved good results; carried out "Constitution Publicity Week" themed publicity and learning activities (online + offline) for all employees of the Company and all-level subsidiaries in December; and provided professional training and publicity for all employees of Sinopharm Group through daily articles pushed by the official account of "Collection of Legal Information" and the corporate account of Sinopharm Group. In 2023, the Company organized relevant departments of the headquarters and subsidiaries to carry out supervision and inspection of the "Three Lists" of political supervision, daily supervision, and style supervision, so as to promptly know about its implementation of major decisions and arrangements from superiors and its implementation of the spirit of the Eight-point Regulation from the Central; established and operated the "Integrity Education Digital Library of Sinopharm Group" and carried out daily integrity warning education for cadres and employees of enterprises at all levels, creating a "Pocket Bookstore" and "Handheld Exhibition Hall" that everyone can read anytime and anywhere.

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 make good efforts on keeping confidential and maintain a registration of insiders as required.

At the Board meeting held on 22 March 2024, the Board made an annual review of the risk management and internal control during the Reporting Period and concluded that the policies and procedures adopted by the Group's internal control system (including aspects related to risk management, compliance management, financial management, information management, production safety, quality control, audit supervision, supervision of disciplinary inspection committee, policy and market research, etc.) 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 2023 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 the Party School of the Central Committee of C.P.C majoring in economic management with a master degree. From July 1987 to February 1997, Mr. Yu successively worked at Beijing Pharmaceutical Station of CNPGC (at that time known as China Pharmaceutical Corporation), China Medical Instrument Corporation and State Pharmaceutical Administration; from February 1997 to August 2010, Mr. Yu successively held senior management positions in Zhuhai United Laboratories Co., Ltd., 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 a 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 a director and general manager of Sinopharm Investment. Mr. Yu is currently also a representative of the 14th 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 Peking University, East China University of Science and Technology and Shanghai University of Medicine & Health Sciences. During the Reporting Period, Mr. Yu was awarded the title of "Economic Personages of the Year" of the 13th China Securities Golden Bauhinia Awards.

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 doctoral degree in social and administrative pharmacy from China Pharmaceutical University. 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 vice chairman of Shanghai Shyndec Pharmaceutical Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600420) ("**Shyndec Pharmaceutical**"), and served as a director of Sinopharm Investment, Sinopharm (CNMC LTD) (a company listed on the Shanghai Stock Exchange, stock code: 600511), and Sinopharm Accord (a company listed on the Shenzhen Stock Exchange, A share stock code: 000028 and B share stock code: 200028) 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 has joined Fosun Pharma Group (namely Fosun Pharma and its holding subsidiaries) 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) ("**GLAND**"). Mr. Chen has joined the Company since January 2003, and 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 served as the co-chairman of New Frontier Health Corporation (a company delisted from the NYSE in January 2022) and a 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. Mr. Hu has served as a member of Party Committee and deputy general manager of CNPGC since December 2017, and the general counsel since January 2019, mainly responsible for work such as strategic planning, branding, operation and legal affairs. Mr. Hu has served as a non-executive Director since he joined the Group in December 2018.

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 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-practising PRC certified public accountant. Mr. Deng previously worked at Economic Information Network Data Co., Ltd. and Taikang Life Insurance Co., Ltd. Mr. Deng joined CNPGC since October 2002, and successively served as the head of the finance department and the chief accountant, and has served as the vice general manager of CNPGC since May 2017. Mr. Deng is currently also the chairman of Sinopharm Investment.

Mr. Wang Kan, aged 39, 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 CNPGC 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 CNPGC 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 Traditional Chinese Medical Co., Ltd., Chongqing Taiji Industry (Group) Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600129) and Fresenius Kabi Huarui Pharmaceutical Co., Ltd. and concurrently serves as the deputy general manager of China Sinopharm International Corporation.

Mr. Wang Peng, aged 41, is a non-executive Director 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. Mr. Wang successively 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 CNPGC since May 2022. Mr. Wang served as a Supervisor of the Company from December 2022 to September 2023, and has been serving as a non-executive Director of the Company since September 2023. Mr. Wang has served as a director of Shyndec Pharmaceutical since November 2022 and a director of Sinopharm Group Finance Co., Ltd. (國藥集團財務有限公司) since April 2023.

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, and non-executive director of Henlius. 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 a director of Sinopharm Investment and a director of Sinopharm (CNMC LTD), and a supervisor of Sinopharm Accord. Mr. Wen was also a 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. Mr. Li obtained a PhD degree of transportation planning and management from Wuhan University of Technology, and then obtained 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. 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 Commercialisation and Consumer Products Management Committee of Fosun Pharmaceutical, 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. 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 Shanghai Fosun High Technology (Group) Company Limited 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 has served as the senior vice president of Fosun Pharma. She has served as the executive president and chief human resources officer of Fosun Pharma since January 2024. Ms. Feng currently serves as the chairman of the supervisory committee of Henlius 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. Chen Fangruo, aged 58, is an independent non-executive Director of the Company. Mr. Chen obtained a Master's Degree from the Moore School of Electrical Engineering, University of Pennsylvania in 1987. 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 is currently a "Guangqi" fund sponsored professor, the Dean of Antai College of Economics and Management, the Dean of the Industry Research Institute, the Dean of the BOC Institute of Technology & Finance and the Dean of the Shenzhen 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 serves 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 PhD of management in Management Science and Engineering from School of Economics and Management, Tsinghua University and 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 February 2023, 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), the partner of the Beijing Qiyuanhouji Investment Management Co., Ltd. (北京啟源厚積投資管理有限公司) and 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). Mr. Li has served as the independent non-executive Director of the Company since September 2020.

Mr. Wu Tak Lung, aged 58, 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. In addition, Mr. Wu also obtained a certificate from the Environmental, Social and Governance Reporting Certification Course organized by the Hong Kong Chartered Governance Institute. Mr. Wu currently serves as an independent non-executive director of 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) and Zhongguancun Science-Tech Leasing Co., Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 1601). In the last three years, Mr. Wu was an independent non-executive director of China Machinery Engineering Corporation, Minth Group Limited and Sinomax Group Limited. Mr. Wu previously served as an independent non-executive director of Beijing Media Corporation Limited ("**Beijing Media**"). Details in relation to the criticization of the current and retired directors of Beijing Media by the Hong Kong Stock Exchange are set out in the announcements of the Hong Kong Stock Exchange and the Company dated 10 February 2022 and 14 February 2022, respectively. 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 an accounting consultant of the Ministry of Finance of the State Council, a member of Hong Kong Institute of Certified Public Accountants, a senior fellow member of Hong Kong Securities and Investment Institute and a fellow member of 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 then obtained a master's degree in business administration from China Europe International 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 Llinks 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 Shanghai M&G Stationery Inc. (a company listed on the Shanghai Stock Exchange, stock code: 603899). Mr. Yu served as an independent director of Deppon Logistics Co., Ltd. and an external director of Jiahua Chemicals Inc. and Shanghai Life Science & Technology Co., Ltd. Mr. Yu has served as an independent non-executive Director of the Company since September 2020. Currently, Mr. Yu is also the chairman of Foreign-related Legal Services Committee of the All China Lawyers Association, president of Shanghai Arbitration Association, a member of Shanghai Arbitration Commission, and an arbitrator of Shanghai Arbitration Commission, Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Center) and other arbitration institution and a mediator of Shanghai Commercial Mediation Center.

Mr. Shi Shenghao, aged 55, is an independent non-executive Director of the Company. Mr. Shi graduated from Capital Normal University with a bachelor's degree and obtained an EMBA degree from China Europe International Business School. Mr. Shi has more than 30 years of experience in the medical and health industry. He has served as a senior executive and general manager in Greater China for a number of multinational medical companies, and has extensive experience in industry operation and mergers and acquisitions. Mr. Shi is currently the managing partner of Riverhead Capital Investment Management Co., Ltd. Mr. Shi was the managing director of Sinopharm Capital Shanghai Co., Ltd. (國藥資本上海有限公司). He successively served as the marketing and sales director of GE Healthcare, the general manager in Greater China of American Medtronic China Co., Ltd. (美敦力中國有限責任公司), the general manager for diabetes healthcare business in Greater China of Bayer Group and the general manager in Greater China of Dentsply Sirona. Mr. Shi has served as the independent non-executive Director of the Company since June 2023.

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 has joined Fosun Pharma Group since May 2000 and currently serves as an executive director and vice chairman of Fosun Pharma. 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 a non-executive Director of the Company from March 2019 to March 2021 and also once served as a supervisor of Sinopharm Accord. Ms. Guan has served 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 non-executive director of Henlius and a supervisor of Sinopharm Industrial Investment Co., Ltd. Ms. Guan served as a non-executive director of 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 practising lawyer. Mr. Liu obtained a master's degree in laws from East China University of Political Science and Law. 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 an 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 the president of the First Session of Shanghai Bankruptcy Administrators Association (上海市破產管理人協會) and was also honored as National Excellent Lawyer and Shanghai Excellent Non-litigation Lawyer. Currently, Mr. Liu serves as a representative to the 16th People's Congress of Shanghai, the standing director of the National Lawyers Association, the chief supervisory 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 Shanghai International Economic and Trade Arbitration Commission (SHIAC) and Shanghai Arbitration Commission (SAC).

Mr. Guo Jinhong, aged 50, is a Supervisor of the Company. Mr. Guo is a senior auditor. Mr. Guo received a master's degree in monetary and banking professional economics from Shanxi Institute of Finance and Economics in July 1999. Mr. Guo worked in the Audit Office from July 1999 to March 2019, and served as the general manager of the audit department of Huajin Holdings Group Co., Ltd. (華錦控股集團有限公司) and the general manager of the audit supervisory department of China Railway Construction Capital Holding Co., Ltd. from March 2019 to February 2022. Mr. Guo joined CNPGC in February 2022 and served as the deputy director of the audit department of CNPGC and has served as the director of the audit department of CNPGC since June 2023. Mr. Guo has served as a Supervisor of the Company since September 2023.

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 propaganda work and theory and policy study. From January 2020 to March 2021, Mr. Liu acted as the head of the board office, the head of the publicity department of the Party Committee and the head of press office, and concurrently served as the deputy head of policy study office of CNPGC. Mr. Liu has served as the employee representative Supervisor of the Company since 17 June 2022 and is currently 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 of working experience, among which experience obtained from February 2000 to June 2006 was all audit experience. 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 successively served as an auditor manager and the deputy head of the audit department 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 up senior management positions in a number of subsidiaries.

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 20 years of operation and management experience in the medical devices industry. Mr. Li obtained a master's degree in electronic information from Beijing Jiaotong University. Mr. Li is a senior engineer. Mr. Li worked at CNPGC and General Electric (China) Co., Ltd.. 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 37 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 31 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 22 years of working experience. Ms. Li obtained 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 obtained his master's degree in business administration from Northwest University and obtained his master's degree in accounting from the Chinese University of Hong Kong. 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 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. 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, and subsequently obtained his master's degree in business administration from Tsinghua University and his joint master's degree in professional accounting for senior accountant from the Chinese University of Hong Kong and Shanghai National Accounting Institute. 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 2019, served as a vice general manager of the investment department and president assistant of Fosun Pharma, and concurrently took senior management positions of several subsidiaries of Fosun Pharma. 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 the chairman of Sinopharm Accord and takes senior management positions in a number of subsidiaries of the Company.

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 2023.

Principal Business

Our Group is a top-rank wholesaler and retailer of pharmaceutical and healthcare products and medical devices, and a leading supply chain services provider in the PRC; it also operates the largest national pharmaceutical and medical device distribution network in the PRC. 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, innovation-driven and transformation and updating, 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 distribution 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 93 of this annual report.

Dividends

Relevant resolution was passed at a meeting of the Board held on 22 March 2024 to propose to distribute a final dividend of RMB0.87 per share (tax inclusive) for the year ended 31 December 2023 (the "**Final Dividend**"), totalling approximately RMB2,714,971,000. If the proposal of profit distribution is approved by shareholders at the 2023 annual general meeting to be held on Thursday, 13 June 2024 (the "**AGM**"), the Final Dividend will be distributed to the shareholders whose names appear on the register of members of the Company on Monday, 24 June 2024 no later than 13 August 2024.

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 13 June 2024 (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, 24 June 2024, 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.

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 98 to page 99 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 2023, the distributable reserves of the Group, calculated based on the above principles, amounted to approximately RMB49,410 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 RMB13 billion in 2023.

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 2023, 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 2023** (RMB million)	**Actual transaction amounts for the year ended 31 December 2023** (RMB million)
Transactions between the Group and the CNPGC Group under the Procurement Framework Agreement (1)	12,200	8,937
Transactions between the Group and the CNPGC Group under the Sales Framework Agreement (1)	5,500	1,992

(1) As disclosed in the announcement of the Company dated 18 March 2022, the Board of the Company held the board meeting on 18 March 2022 to propose to revise the annual caps for the year of 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.

Transactions between the Group and the Finance Company under the Financial Services Framework Agreement	Maximum daily balance cap for the year ended 31 December 2023 (RMB million)	Actual maximum daily balance for the year ended 31 December 2023 (RMB million)
Maximum daily balance of the deposits placed with the Finance Company by the Group (including accrued interest)	2,420	2,410

Transactions between the Group and the Finance Company under the Financial Services Framework Agreement	Annual cap for the year 2023 (RMB million)	Actual transaction amounts for the year ended 31 December 2023 (RMB million)
Interests/service fees incurred by the Group for the provision of other financial services by the Finance Company	500	118

Transaction between the Group and the CNPGC Group under the EPC General Contracting Services Framework Agreement	Annual cap for the year 2023 (RMB million)	Actual transaction amounts for the year ended 31 December 2023 (RMB million)
Amount payable by the Group to the CNPGC Group under the EPC General Contracting Services Framework Agreement	300	11

Transaction between the Group and the Factoring Company under the Factoring Services Framework Agreement	Annual cap for the year 2023 (RMB million)	Actual transaction amounts for the year ended 31 December 2023 (RMB million)
Interests/service fees payable by the Group to the Factoring Company under the Factoring Services Framework Agreement	200	97

Transactions between the Group and the Natong Group under the Procurement Framework Agreement	Annual cap for the year 2023 (RMB million)	Actual transaction amounts for the year ended 31 December 2023 (RMB million)
Amount paid by the Group to the Natong Group under the Procurement Framework Agreement	1,210	438

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, among others, the annual caps for the year ending 31 December 2023 to RMB12,200 million, 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 of the Company dated 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.

As the term of the above-mentioned Procurement Framework Agreement and the annual caps for the continuing connected transactions thereunder have expired on 31 December 2023, the Company and CNPGC renewed the Procurement Framework Agreement on 9 November 2023 for a term of three years from 1 January 2024 to 31 December 2026 (the "**2023 Procurement Framework Agreement**"). The annual caps for the continuing connected transactions contemplated under the 2023 Procurement Framework Agreement will amount to RMB12,500 million, RMB14,900 million and RMB17,700 million respectively, for the three years ending 31 December 2026. For details, please refer to the announcement of the Company dated 9 November 2023.

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, among others, the annual caps for the year ending 31 December 2023 to RMB5,500 million, 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 of the Company dated 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 Sales Framework Agreement between the Company and the CNPGC constitute continuing connected transactions of the Company.

As the term of the above-mentioned Sales Framework Agreement and the annual caps for the continuing connected transactions thereunder have expired on 31 December 2023, the Company and CNPGC renewed the Sales Framework Agreement on 9 November 2023 for a term of three years from 1 January 2024 to 31 December 2026 (the "**2023 Sales Framework Agreement**"). The annual caps for the continuing connected transactions contemplated under the 2023 Sales Framework Agreement will amount to RMB3,200 million, RMB4,000 million and RMB4,900 million, respectively, for the three years ending 31 December 2026. For details, please refer to the announcement of the Company dated 9 November 2023.

The continuing connected transactions between the Group and the 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 the Finance Company, the Company and the Finance Company renewed the Financial Services Framework Agreement (the "**Financial Services Framework Agreement**") on 18 December 2020, and set up 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 other financial services 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 the 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 the 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 the 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 the 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 the Finance Company for the same category of financial services.

The 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 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 of the Company dated 18 December 2020.

The 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 the Finance Company constitute continuing connected transactions of the Company.

As the term of the above-mentioned Financial Services Framework Agreement and the annual caps for the continuing connected transactions thereunder have expired on 31 December 2023, the Company and the Finance Company renewed the Financial Services Framework Agreement on 27 December 2023 for a term of three years from 1 January 2024 to 31 December 2026 (the "**2023 Financial Services Framework Agreement**"). The maximum daily balances (including accrued interests) of the Deposit Services contemplated under the 2023 Financial Services Framework Agreement will amount to RMB2,630 million and the annual caps for the other financial services will amount to RMB500 million for the three years ending 31 December 2026. For details, please refer to the announcement of the Company dated 27 December 2023.

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 (the "**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 of the Company dated 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.

As the term of the above-mentioned EPC General Contracting Services Framework Agreement and the annual caps for the continuing connected transactions thereunder have expired on 31 December 2023, the Company and CNPGC renewed the EPC General Contracting Services Framework Agreement on 9 November 2023 for a term of three years from 1 January 2024 to 31 December 2026 (the "**2023 EPC General Contracting Services Framework Agreement**"). The annual caps for the continuing connected transactions contemplated under the 2023 EPC General Contracting Services Framework Agreement will amount to RMB1,600 million, RMB2,100 million and RMB2,500 million, respectively, for the three years ending 31 December 2026. For details, please refer to the announcement of the Company dated 9 November 2023.

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 (the "**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 of the Company dated 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.

As the term of the above-mentioned Factoring Services Framework Agreement and the annual caps for the continuing connected transactions thereunder have expired on 31 December 2023, the Company and the Factoring Company renewed the Factoring Services Framework Agreement on 9 November 2023 for a term of three years from 1 January 2024 to 31 December 2026 (the "**2023 Factoring Services Framework Agreement**"). The annual caps for the continuing connected transactions contemplated under the 2023 Factoring Services Framework Agreement will amount to RMB250 million, RMB280 million and RMB320 million, respectively, for the three years ending 31 December 2026. For details, please refer to the announcement of the Company dated 9 November 2023.

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 (the "**Natong Procurement Framework Agreement**") for medical devices including orthopedic consumables, surgical instruments and other related or auxiliary products as well as masks and other pandemic prevention materials on 28 July 2020 and renewed it on 26 October 2022, 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 2025 to be RMB1,210 million, RMB1,440 million and RMB1,620 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 2025 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 as well as masks and other pandemic prevention materials 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 as well as masks and other pandemic prevention materials 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 price strategy of the specific varieties of related products of the same business type and provide the Company and/or its subsidiaries with the procurement price list of the specific varieties of related products prior to entering into each individual implementation agreement. In the event of major changes in product prices due to changes in industry policies, it will further provide the latest price strategy of related products in a timely manner; (iii) The Company and/or its subsidiaries, after considering a variety of factors relating to the specific product comprehensively, including but not limited to the price, quality, terms of payment, delivery method, after-sales service, gross profit and average price in the industry (which is obtained from public channels – the bidding prices of the specific products, which are won by relevant members of the Natong Group and other independent third parties through their participation in the public bidding process of such products conducted by the tender offices of Chinese governments or hospitals) 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, legal and compliance 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. In general, in respect of one particular product, the Group will compare the gross profit margin achieved by the Group on the sale of these products in the same period of last year and the gross profit margin that can be achieved by the Group based on the results of price consultation with not less than two independent third party suppliers in the same region for the same product type and the same business model. 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 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 2023 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 2023, 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).

Details of Directors, Supervisors and Senior Management

Biographies of the Directors, Supervisors and senior management are set out in the section headed "Biographies of the Directors, Supervisors and Senior Management" 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	Date of appointment/ re-election	Date of expiry/ resignation
Executive Directors			
Yu Qingming	Executive Director, Chairman	Re-elected on 15 September 2023	Expired on 14 September 2026
Liu Yong	Executive Director, President	Re-elected on 15 September 2023	Expired on 14 September 2026
Non-executive Directors			
Chen Qiyu	Non-executive Director, Vice Chairman	Re-elected on 15 September 2023	Expired on 14 September 2026
Hu Jianwei	Non-executive Director	Re-elected on 15 September 2023	Expired on 14 September 2026
Ma Ping (resigned)	Non-executive Director	Re-elected on 18 September 2020	Retired on 15 September 2023
Deng Jindong	Non-executive Director	Re-elected on 15 September 2023	Expired on 14 September 2026
Wang Kan	Non-executive Director	Re-elected on 15 September 2023	Expired on 14 September 2026
Wang Peng	Non-executive Director	Appointed on 15 September 2023	Expired on 14 September 2026
Wen Deyong	Non-executive Director	Re-elected on 15 September 2023	Expired on 14 September 2026
Li Dongjiu	Non-executive Director	Re-elected on 15 September 2023	Expired on 14 September 2026
Feng Rongli	Non-executive Director	Re-elected on 15 September 2023	Expired on 14 September 2026
Independent non-executive Director			
Zhuo Fumin (resigned)	Independent non-executive Director	Re-elected on 18 September 2020	Resigned on 15 June 2023
Chen Fangruo	Independent non-executive Director	Re-elected on 15 September 2023	Expired on 27 December 2024 (1)
Li Peiyu	Independent non-executive Director	Re-elected on 15 September 2023	Expired on 14 September 2026
Wu Tak Lung	Independent non-executive Director	Re-elected on 15 September 2023	Expired on 14 September 2026
Yu Weifeng	Independent non-executive Director	Re-elected on 15 September 2023	Expired on 14 September 2026
Shi Shenghao	Independent non-executive Director	Appointed on 15 June 2023 and re-elected on 15 September 2023	Expired on 14 September 2026

(1) In accordance with Rule 2.1 of the Rules of Procedures for the Board of Directors of the Company, the term of office of independent non-executive Director shall not be longer than six years.

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 2023 are set out in Note 49 to the Consolidated Financial Statements.

Details of the five highest paid individuals of the Group in 2023 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 2023 are set out as follows:

Range	Number of individuals
Below RMB3,000,000	0
RMB3,000,000 to RMB6,000,000	8
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 2023, 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 2023, 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 2023, 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 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 (di.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 2023, 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 2023.

Save as disclosed above, as at 31 December 2023, 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 2023, 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	2,898,015	0.09	0.22	Long position
			2,259,415	0.07	0.17	Short position
		Approved lending agent (Note 9)	77,335,857	2.48	5.76	Long position
BlackRock, Inc.	H Shares	Interest of controlled corporation	92,365,213	2.96	6.88	Long position
		(Note 10)	3,400,000	0.11	0.25	Short position
FMR LLC	H Shares	Interest of controlled corporation (Note 11)	160,276,364	5.14	11.94	Long position
Lazard Asset Management LLC	H Shares	Investment manager (Note 12)	93,990,820	3.01	7.00	Long position
JPMorgan Chase & Co.	H Shares	Interest of controlled corporation	13,148,726	0.42	0.98	Long position
			10,078,633	0.32	0.75	Short position
		Investment manager	41,004,900	1.31	3.06	Long position
		Person having a security interest in shares	136,236	0.00	0.01	Long position
		Trustee	8,435	0.00	0.00	Long position
		Approved lending agent (Note 13)	26,061,588	0.84	1.94	Long position

Notes: The information was disclosed based on the data available on the website of the Hong Kong Stock Exchange (di.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 domestic 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 35.84% 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 73.42% 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 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, 0.01% equity interest in Fosun International 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 80,233,872 H Shares of the Company in an aggregate in long position (including 77,335,857 H Shares available for lending) and 2,259,415 H Shares in short position.

(10) BlackRock, Inc. is interested in long positions of 92,365,213 H shares of the Company and short positions of 3,400,000 H shares of the Company.

(11) FMR LLC is interested in an aggregate of long positions of 160,276,364 H shares of the Company.

(12) Lazard Asset Management LLC is interested in an aggregate of long positions of 93,990,820 H shares of the Company.

(13) JP Morgan Chase & Co. is interested in an aggregate of 80,359,885 H Shares of the Company in long position (including 26,061,588 H Shares available for lending) and 10,078,633 H Shares in short position.

(14) 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 2023. 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 2023. 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 2023.

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2023, 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 2023 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, the Company accelerated the green transformation of the industry development. For further details on the Company's environmental policies, targets and performance, please refer to the 2023 Sustainability Report.

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. The Company has achieved its energy conservation and emission reduction indicators assigned by CNPGC at the beginning of the year through the management 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 2024.

Overdue Time Deposit

As at 31 December 2023, 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 PricewaterhouseCoopers.

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

Shanghai, the PRC
22 March 2024

Report of the Supervisory Committee

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 2023, the Supervisory Committee held three meetings and the details are as follows:

On 24 March 2023, the seventh meeting of the fifth session of the Supervisory Committee was convened to consider and approve the "Report of the Supervisory Committee of 2022", "2022 Annual Results Report" and "Resolution on Determination of 2023 Remuneration of Supervisors of the Fifth Session of the Supervisory Committee under the authorization of the General Meeting".

On 25 August 2023, the eighth meeting of the fifth session of the Supervisory Committee was convened to consider and approve the "Resolution on 2023 Interim Results Report of the Company", the "Resolution on Change of the fifth session of the Supervisory Committee of the Company and the Election of External Supervisor of the sixth session of the Supervisory Committee" and the "Resolution on election of Mr. Guo Jinhong as the Supervisor of the sixth session of the Supervisory Committee of the Company", which was approved at the shareholders' general meeting on 15 September 2023.

On 15 September 2023, the first meeting of the sixth session of the Supervisory Committee was convened to consider and approve the "Resolution on Election of the Chairman of the sixth session of the Supervisory Committee of the Company" and "Resolution on Determination of Remuneration of Supervisors of the sixth Session of the Supervisory Committee of Sinopharm Group Co. Ltd.".

Comments of the Supervisory Committee on Certain Matters of the Company in 2023

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 2023 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 2023 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 2023 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
22 March 2024

Independent Auditor's Report

PricewaterhouseCoopers
22/F, Prince's Building
Central Hong Kong

羅兵咸永道會計師事務所
香港中環太子大廈廿二樓

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

Opinion

What we have audited

The consolidated financial statements of SINOPHARM GROUP CO. LTD. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 93 to 240, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

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 2023, 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matters identified in our audit are summarised as follows:

- Assessment of the expected credit losses of trade receivables

- Goodwill impairment assessment

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of the expected credit losses of trade receivables	
Refer to Note 3.1(2)(b)(iii) (Expected credit losses measurement – Trade receivables), Note 4 (i) (Critical estimates and judgements) and Note 29 (Trade and notes receivable –Trade receivables) to the consolidated financial statements. At 31 December 2023, the Group held trade receivables amounting to RMB169,003 million, against which the expected credit losses of RMB3,605 million was set aside in the consolidated financial statements. Management applied expected credit losses (“ECL”) model under HKFRS 9 to measure the impairment against trade receivables at the reporting date. Management estimated the expected credit losses of trade receivables based on the lifetime expected credit losses. For trade receivable balances with objective evidence of impairment and significant different credit risk characteristics, individual provision was made based on a probability-weighted estimation of the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the Group expects to receive.	We understood, evaluated and validated the relevant internal controls which management control over the recoverability of trade receivables. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or other fraud factors involved in determining the expected credit loss. We checked the accuracy of aging of trade receivables prepared by management on a sample basis. We assessed the recoverability of individually provided trade receivable balances on a sample basis. We assessed the collectability of the balances by checking the supporting evidence, including subsequent settlements, credit history, business performance and financial capability of these customers.

Key Audit Matters (continued)

Key Audit Matter | **How our audit addressed the Key Audit Matter**

Assessment of the expected credit losses of trade receivables (continued)

Trade receivables without objective evidence of impairment are grouped based on shared credit risk characteristics. The collective provision was determined based on the historical credit loss rates to the respective aging category of gross carrying amount of trade receivables. The expected credit loss rates are adjusted to reflect current and forward-looking information.

We identified assessment of the expected credit losses of trade receivables as a key audit matter due to the magnitude of trade receivables balance, estimation uncertainty of ECL and significance of management judgements and key assumptions applied.

With the assistance of our credit model experts, we performed the following procedures, including:

- Assessing management's methodology of estimating collective provisions by considering the historical bad debts amounts and pattern;

- Evaluating management's judgement that trade receivables are featured with significantly different credit risk characteristics;

- Evaluating management's assessment of the forward-looking information used to determine the expected credit losses by considering economic factors applied by the management.

We also evaluated management's assessment of the sensitivity of the forward-looking information based on reasonable possible changes of the related key assumptions.

Based on the procedures performed, we considered management's judgments and key assumptions applied in assessing the recoverability of trade receivables were supported by the evidence we gathered.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill impairment assessment	
Refer to Note 2.3 (e) (Business combination-Goodwill), Note 4 (ii) (Critical estimates and judgements) and Note 19 (Intangible Assets-Goodwill) to the consolidated financial statements. At 31 December 2023, the Group had goodwill amounting to RMB8,067 million, against which a provision of RMB881 million was set aside in the consolidated financial statements. In assessing the recoverable amounts of the Group's cash generating unit ("CGUs") which include goodwill, management performed the impairment test to compare the carrying amounts of CGUs with the recoverable amounts which is the higher of fair value less costs of disposal and value in use based on the discounted future cash flow method and external experts were involved in the impairment assessment on certain CGUs.	We understood, evaluated and validated the relevant internal controls of the Group over the goodwill impairment assessment process. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or other fraud factors involved in determining the recoverable amounts of its CGUs; For the relevant CGUs, we compared the current year actual results with the forecast included in the prior year forecast to consider whether management's cash flow forecasts were reliable on a sample basis. We compared the management's future cash flow forecasts with its historical data, budgets approved, and business plans developed on a sample basis. With the assistance of our valuation experts, we performed the following procedures, including: • Assessing the valuation approaches and methodologies adopted by management by reference to industry practice;

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill impairment assessment (continued)	
While determining the value in use based on the discounted future cash flow method, management developed key assumptions including: • revenue growth rates within the budget period; • gross margin rate; • growth rates to extrapolate cash flows beyond the budget period; and • Pre-tax discount rate. We identified goodwill impairment assessment as a key audit matter due to the magnitude of goodwill balance, estimation uncertainty of recoverable amounts, subjectivity and significance of management judgements and key assumptions applied.	• Comparing the revenue growth rates within the budget period with the CGUs' historical growth rates and industry historical data; • Comparing the growth rates to extrapolate cash flows beyond the budget period with our independent expectation based on economic data; • Comparing the gross margin rate with past performance, taking into consideration of market trends; • Assessing the discount rate by considering and recalculating the weighted average cost of capital for the individual CGUs and comparable companies in the pharmaceutical industry, as well as considering territory specific factors, such as risk free interest rate and debt ratio prevailing in relevant market as of base date; • Testing the mathematical accuracy of the calculations of discounted cash flows. We obtained the valuation reports issued by the external valuation experts engaged by the management and assessed the competence, capabilities, and objectivity of these external valuation experts. We evaluated management's sensitivity analyses on the key assumptions to assess the potential impacts on the recoverable amounts. Based on the procedures performed, we considered that management's judgements and key assumptions applied in the impairment assessment of goodwill were supported by the evidence we gathered.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of 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 Directors and the Audit Committee 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 are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible 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. We report our opinion 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 judgment 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

From the 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 Esmond S.C. Kwan.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong,
22 March 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	6	**596,569,565**	552,147,550
Cost of sales	10	**(548,057,887)**	(504,713,490)
Gross profit		**48,511,678**	47,434,060
Other income	7	**582,010**	676,163
Selling and distribution expenses	10	**(17,471,692)**	(16,719,561)
Administrative expenses	10	**(8,678,071)**	(8,183,559)
Expected credit losses on financial and contract assets	8	**(666,966)**	(666,467)
Losses on derecognition of financial assets measured at amortised cost and fair value through other comprehensive income:	29	**(2,067,764)**	(1,936,170)
Operating profit		**20,209,195**	20,604,466
Other gains – net	9	**661,284**	122,198
Other expenses	9	**(35,317)**	(39,920)
Finance income		**743,366**	542,767
Finance costs		**(3,173,740)**	(3,732,759)
Finance costs – net	12	**(2,430,374)**	(3,189,992)
Share of profits and losses of:			
Associates	21	**1,111,568**	1,064,155
Joint ventures		**(4,219)**	2,912
		1,107,349	1,067,067
Profit before tax		**19,512,137**	18,563,819
Income tax expense	13	**(4,502,309)**	(4,218,377)
Profit for the year		**15,009,828**	14,345,442
Attributable to:			
Owners of the parent		**9,053,760**	8,525,655
Non-controlling interests		**5,956,068**	5,819,787
		15,009,828	14,345,442
Earnings per share attributable to ordinary equity holders of the parent (expressed in RMB per share)			
– Basic and diluted	14	**2.90**	2.73

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Profit for the year		**15,009,828**	14,345,442
Other comprehensive loss:			
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Remeasurements of post-employment benefit obligations	13	**(8,996)**	(10,478)
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		**6,864**	(13,694)
Income tax effect		**(1,716)**	3,388
Fair value changes on financial asset, net of tax	13	**5,148**	(10,306)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		**(3,848)**	(20,784)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**2,388**	11,513
Share of other comprehensive income of associates		**607**	3,226
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**2,995**	14,739
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(853)**	(6,045)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**15,008,975**	14,339,397
Attributable to:			
Owners of the parent		**9,053,491**	8,524,434
Non-controlling interests		**5,955,484**	5,814,963
		15,008,975	14,339,397

Consolidated Statement of Financial Position

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Right-of-use assets	16	**7,416,423**	7,030,398
Investment properties	17	**501,466**	538,338
Property, plant and equipment	18	**12,481,234**	12,616,766
Intangible assets	19	**10,196,149**	10,170,919
Investments in joint ventures		**22,812**	20,233
Investments in associates	21	**9,687,954**	8,967,418
Equity investments designated at fair value through other comprehensive income	22	**55,264**	57,381
Financial assets at fair value through profit or loss	23	**784,656**	795,428
Finance lease receivables	24	**5,854**	5,862
Deferred tax assets	26	**1,963,679**	1,979,743
Other non-current assets	27	**3,444,253**	3,186,266
Total non-current assets		**46,559,744**	45,368,752
Current assets			
Inventories	28	**60,027,648**	60,925,831
Trade and notes receivable	29	**184,432,543**	169,753,132
Contract assets	30	**1,354,519**	1,447,162
Prepayments, other receivables and other assets	31	**16,196,932**	20,016,358
Financial assets at fair value through profit or loss	23	**547**	498
Finance lease receivables	24	**3,297**	3,778
Pledged deposits, restricted cash and bank deposits with an initial term of over three months	32	**11,011,076**	12,037,999
Cash and cash equivalents	32	**63,808,538**	55,221,624
Total current assets		**336,835,100**	319,406,382
Total assets		**383,394,844**	364,775,134

Consolidated Statement of Financial Position

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	39	**3,120,656**	3,120,656
Treasury shares		**(3,838)**	(3,838)
Other reserves	40	**22,055,339**	22,038,063
Retained earnings	40	**49,410,060**	42,913,678
		74,582,217	68,068,559
Non-controlling interests		**45,736,528**	42,000,631
Total equity		**120,318,745**	110,069,190
LIABILITIES			
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	33	**13,834,037**	11,750,433
Lease liabilities	16	**3,420,841**	3,206,560
Deferred tax liabilities	26	**788,379**	936,744
Post-employment benefit obligations	37	**366,512**	380,713
Contract liabilities	35	**80,230**	96,418
Other non-current liabilities	38	**3,095,463**	3,372,119
Total non-current liabilities		**21,585,462**	19,742,987

	Notes	2023 RMB'000	2022 RMB'000
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	33	**54,730,449**	52,997,246
Lease liabilities	16	**1,796,525**	1,635,947
Trade and notes payable	34	**146,632,453**	137,085,061
Contract liabilities	35	**6,398,902**	10,396,326
Accruals and other payables	36	**29,901,366**	30,889,733
Dividends payable		**256,374**	255,386
Tax payable		**1,774,568**	1,703,258
Total current liabilities		**241,490,637**	234,962,957
TOTAL LIABILITIES		**263,076,099**	254,705,944
TOTAL EQUITY AND LIABILITIES		**383,394,844**	364,775,134

The financial statements were approved by the Board of Directors on 22 March 2024 and were signed on its behalf by:

Yu Qingming	**Wu Tak Lung**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

		Attributable to owners of the parent						
	Notes	Share capital RMB'000 (Note 39)	Treasury shares held for share incentive scheme RMB'000	Other Reserves RMB'000 (Note 40)	Retained Earnings RMB'000 (Note 40)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023		3,120,656	(3,838)	22,038,063	42,913,678	68,068,559	42,000,631	110,069,190
Total comprehensive income for the year		-	-	(269)	9,053,760	9,053,491	5,955,484	15,008,975
Effect of transactions with non-controlling interests	44(c)	-	-	6,429	-	6,429	(116,680)	(110,251)
Capital injection from non-controlling shareholders of subsidiaries		-	-	-	-	-	120,854	120,854
Acquisition of subsidiaries		-	-		-	-	87,609	87,609
Disposal of subsidiaries	43	-	-	-	-	-	(25,657)	(25,657)
Dividends paid to non-controlling interests		-	-	-	-	-	(2,275,870)	(2,275,870)
Dividend of the company		-	-	-	(2,558,837)	(2,558,837)	-	(2,558,837)
Share of changes in equity other than comprehensive income/(loss) and distributions received from associates		-	-	2,898	-	2,898	(36)	2,862
Others		-	-	8,218	1,459	9,677	(9,807)	(130)
At 31 December 2023		3,120,656	(3,838)	22,055,339	49,410,060	74,582,217	45,736,528	120,318,745

		Attributable to owners of the parent						
	Notes	Share capital RMB'000 (Note 39)	Treasury shares held for share incentive scheme RMB'000	Reserves RMB'000 (Note 40)	Retained Earnings 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)	22,040,573	36,728,624	61,886,015	37,767,920	99,653,935
Total comprehensive income for the year		–	–	(1,221)	8,525,655	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 of the company		–	–	–	(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		–	–	9,252	(109)	9,143	(22,814)	(13,671)
At 31 December 2022		3,120,656	(3,838)	22,038,063	42,913,678	68,068,559	42,000,631	110,069,190

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Cash flows from operating activities:			
Cash generated from operations	41(a)	**21,748,506**	25,362,875
Income tax paid		**(4,575,476)**	(4,399,088)
Net cash generated from operating activities		**17,173,030**	20,963,787
Cash flows from investing activities:			
Proceeds from disposal of intangible assets		**–**	4,330
Proceeds from disposal of right-of-use assets		**209,079**	248
Proceeds from disposal of property, plant and equipment		**456,131**	172,341
Proceeds from disposal of investment properties		**28,816**	630
Proceeds from disposal of financial assets at fair value through profit or loss		**53,058**	17,563
Proceeds from disposal of a joint venture		**44**	–
Proceeds from disposal of associates		**72,714**	36,082
Interest received from long-term deposits		**182,895**	74,558
Disposal of subsidiaries, net of cash disposed of	43	**26,437**	81,176
Dividends received from associates		**379,278**	542,295
Dividends received from joint ventures		**21**	9,747
Dividends received from financial assets at fair value through profit or loss		**37,028**	12,516
Dividends received from financial assets at fair value through other comprehensive income		**3,017**	535
Prepayments of right-of-use assets		**(52,272)**	(97,315)
Purchase of property, plant and equipment		**(1,959,570)**	(2,127,139)
Purchase of intangible assets		**(324,008)**	(193,075)
(Increase)/Decrease of long-term deposits		**(28,644)**	193,967
Acquisition of financial assets at fair value through profit or loss		**(422)**	(100,000)
Acquisition of subsidiaries, net of cash acquired	45	**(1,825)**	(9,169)
Consideration paid for prior year acquisition of subsidiaries		**(106,419)**	(439,982)
Acquisition of associates and joint ventures		**(22,806)**	(4,816)
Decrease/(Increase) in restricted cash	32	**102,913**	(1,764,114)
Net cash used in investing activities		**(944,535)**	(3,589,622)

	Notes	2023 RMB'000	2022 RMB'000
Cash flows from financing activities:			
Proceeds from borrowings from banks		**77,966,915**	76,925,976
Proceeds from borrowings from related parties		**15,321,664**	12,235,375
Repayments of borrowings from banks		**(68,215,984)**	(67,279,027)
Repayments of borrowings from related parties		**(14,733,806)**	(17,423,308)
Repayments of bonds		**(20,987,000)**	(17,003,000)
Proceeds from issue of bonds		**13,149,488**	17,289,549
Capital injections from non-controlling shareholders of subsidiaries		**120,854**	217,810
Dividends paid to shareholders of the Company		**(2,558,837)**	(2,340,492)
Dividends paid to non-controlling shareholders of Subsidiaries		**(2,274,882)**	(1,667,769)
Transactions with non-controlling interests of Subsidiaries		**(118,131)**	(45,881)
Interest paid		**(3,198,649)**	(4,777,933)
Principal portion of lease payments		**(2,115,602)**	(1,824,781)
Net cash used in financing activities		**(7,643,970)**	(5,693,481)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**8,584,525**	11,680,684
Cash and cash equivalents at the beginning of year	32	**55,221,624**	43,529,428
Effect of foreign exchange rate changes, net		**2,389**	11,512
Cash and cash equivalents at the end of year	32	**63,808,538**	55,221,624

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 address of the Company's registered office is 1st and 11th to 15th Floors, 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 22 March 2024.

2. Summary of material accounting policies

The material 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.

2.1 Basis of preparation

(a) Compliance with HKFRS and disclosure requirement of HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") as issued by the Hong Kong Institute of Certified Public Accountants and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

HKFRS comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants.

2. Summary of material accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments).

(c) New and amended standards adopted by the Group

The Group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023:

- HKFRS 17 Insurance Contracts
- Definition of Accounting Estimates – Amendments to HKAS 8
- International Tax Reform – Pillar Two Model Rules – Amendments to HKAS 12
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to HKAS 12
- Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2
- Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong.

The application of the amendments to HKFRSs and HKASs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(d) New and amended standards and interpretations not yet adopted

The following new accounting standards and interpretations have been published but are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group.

- Classification of Liabilities as Current or Non-current – Amendments to HKAS 1
- Non-current liabilities with covenants – Amendments to HKAS 1
- Lease liability in sale and leaseback – Amendments to HKFRS 16
- Supplier Finance Arrangements – Amendments to HKAS 7 and HKFRS 7
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to HKFRS 10 and HKAS 28

The Group anticipate that the application of all these new and amendments to HKFRSs and HKASs will have no material impact on classification and measurement and still evaluating the expected impact on the disclosures set out in the consolidated financial statements in the foreseeable future.

2. Summary of material accounting policies (continued)

2.2 Basis of consolidation

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.

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 material accounting policies (continued)

2.3 Business combinations

(a) 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 material accounting policies (continued)

2.3 Business combinations (continued)

(b) 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.

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.

(c) 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 material accounting policies (continued)

2.3 Business combinations (continued)

(d) 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.

(e) 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 material accounting policies (continued)

2.3 Business combinations (continued)

(f) Separate financial statement

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.

2.4 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 material accounting policies (continued)

2.4 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.

2.5 Segment reporting

Management has determined the operating segments based on the Group's business types, overall strategic planning, internal organisational structure and management requirements.

2.6 Property, plant and equipment

All property, plant and equipment is stated at historical cost less accumulated depreciation, amortisation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate their cost amounts, net of their residual values, over their estimated useful lives as follows:

Buildings and facilities	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. 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 the end of each reporting period.

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 (note 52.3).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other gains – net.

2. Summary of material accounting policies (continued)

2.7 Intangible assets other than goodwill

(a) 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.

(b) Trademarks and patent rights

Separately acquired trademarks are shown at historical cost. Trademarks acquired in business combinations under non-common control 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.

(c) 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.

(d) 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.

(e) 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;

2. Summary of material accounting policies (continued)

2.7 Intangible assets other than goodwill (continued)

(e) Internally generated product development cost (continued)

- 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.

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.

2.8 Lease

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.

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 material accounting policies (continued)

2.8 Lease (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 building, 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.

2.9 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.

2. Summary of material accounting policies (continued)

2.9 Fair value measurement (continued)

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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.10 Financial assets

(a) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL").

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.

2. Summary of material accounting policies (continued)

2.10 Financial assets (continued)

(a) Initial recognition and measurement (continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

(b) Sebsequent measurement

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

(i) 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.

(ii) 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.

2. Summary of material accounting policies (continued)

2.10 Financial assets (continued)

(b) Subsequent measurement (continued)

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

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

(iv) 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 gains in the statement of profit or loss when the right of payment has been established.

(c) 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.

2. Summary of material accounting policies (continued)

2.10 Financial assets (continued)

(c) Derecognition of financial assets (continued)

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.

2.11 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.

(a) General approach

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.

2. Summary of material accounting policies (continued)

2.11 Impairment of financial assets (continued)

(a) General approach (continued)

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.

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

(b) 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.

2. Summary of material accounting policies (continued)

2.12 Financial liabilities

(a) 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 mainly include trade payables, other payables and interest-bearing bank borrowings.

(b) Subsequent measurement

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

(i) 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.

(c) 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.

(d) 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.

2. Summary of material accounting policies (continued)

2.13 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 and contract fullfillment cost.

2.14 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.

(a) 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.

(b) 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.

2. Summary of material accounting policies (continued)

2.14 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

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.

(c) 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.

2.15 Revenue recognition

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. 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.

2. Summary of material accounting policies (continued)

2.15 Revenue recognition (continued)

(a) Sales of goods

Sales are recognised when the products have been shipped to the specific location in accordance with the sales contract and the customers have inspected and accepted the products. The sales are made with a credit term varied by customers' credit risk characteristics, which is consistent with market practices. Advance received from customers due from the obligation of transfer goods is presented as contract liabilities in the balance sheet.

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.

Any consideration payable to customers with no distinct good or service received from those customers, the consideration is recognised as a reduction of the revenue.

(b) Rendering services

Revenue from providing services to external parties is recognised over a period of time based on the stage of completion of such service, which is determined by the proportion of costs incurred to the estimated total costs. As at the balance sheet date, the Group reassesses the stage of completion so as to better reflect the changes in obligation performance.

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 expected credit losses assessment.

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).

Gross vs. net determination in revenue recognition

The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Group is acting as the principal or an agent in the transactions. In determining whether the Group acts as the principal or an agent, the Group follows the accounting guidance for principal-agent considerations in HKFRS 15.

3. Financial risk management

3.1 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.

(1) Market risk

(a) 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, trade receivables 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 2023, 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 2023 would have been immaterial.

(b) Fair value and cash flow interest rate risk

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.

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.

As at 31 December 2023, 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 2023 would have been RMB234,360,000 (2022: RMB179,076,000) lower/higher, mainly as a result of higher/lower interest expense on borrowings.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(2) Credit risk

The carrying amounts of pledged deposits, restricted cash and bank deposits with an initial term of over three months, cash and cash equivalents, trade and notes receivable, contract assets, other receivables and other financial assets included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

(a) Risk management

Credit risk is managed on a group basis. To manage this risk arising from cash and cash equivalents, and restricted cash, the Group only transacts with state-owned or large medium sized joint-stock commercial banks in the PRC and reputable international financial institution outside of the PRC. There has been no recent history of default in relation to these financial institutions.

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. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The carrying amounts of pledged deposits, restricted cash and bank deposits with an initial term of over three months, cash and cash equivalents, trade and notes receivable, contract assets, other receivables and other financial assets included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

(b) Expected credit loss measurement

The Group's maximum exposure to credit risk in respect of financial assets is the carrying amounts as at the balance sheet date. Management has credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(i) Pledged deposits, restricted cash and bank deposits with an initial term of over three months, cash and cash equivalents

The Group has policies to place its cash and cash equivalents only with major financial institutions and other financial institution controlled by CNPGC. As at 31 December 2023, most of the pledged deposits, restricted cash, bank deposits with an initial term of over three months and cash and cash equivalents were deposited with major financial institutions in Mainland China and Hong Kong except the deposit in related party as disclosed in Note 46.

While cash and cash equivalents are also subject to the ECL requirements of HKFRS 9, the identified credit loss was immaterial.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(2) Credit risk (continued)

(b) Expected credit loss measurement (continued)

(ii) Notes receivable

For notes receivable, the Group applies the HKFRS 9 simplified approach to measuring expected credit losses. The Group adopts an expected credit loss model based on shared common characteristics to calculates the expected credit loss on notes receivable using the exposure to default risk exposure and expected credit loss rate of notes receivable, and determines the expected credit loss rate based on default probability and default loss rate.

(iii) Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

For trade receivable balances with objective evidence of impairment and significant different credit risk characteristics, individual provision was made based on a probability-weighted estimation of the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the Group expects to receive.

The expected loss rates are based on the aging of trade receivables and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Business Climate Index to be the most relevant factors (including Consumer Price Index, Producer Price Index, etc.), and accordingly adjusts the historical loss rates based on expected changes in these factors.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(2) Credit risk (continued)

(b) Expected credit loss measurement (continued)

(iii) Trade receivables (continued)

On that basis, the loss allowance as at 31 December 2023 and 31 December 2022 was determined as follows:

As at 31 December 2023

	Expected loss rate	Gross carrying amount (RMB'000)	Loss allowance (RMB'000)
Provision on individual basis		4,711,996	538,602
Provision on collective basis -Aging			
Within 1 year	0.3%-2.4%	156,123,710	1,588,155
1 to 2 years	3.0%-14.1%	6,519,226	637,285
2 to 3 years	14.1%-35.0%	953,188	330,138
3 to 4 years	51.0%-57.3%	288,842	157,614
4 to 5 years	75.0%-82.2%	227,853	174,757
Over 5 years	100.00%	178,075	178,075
		169,002,890	3,604,626

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(2) Credit risk (continued)

(b) Expected credit loss measurement (continued)

(iii) Trade receivables (continued)

As at 31 December 2022

	Expected loss rate	Gross carrying amount (RMB'000)	Loss allowance (RMB'000)
Provision on individual basis		3,067,865	490,855
Provision on collective basis -Aging			
Within 1 year	0.2%-2.2%	146,901,027	1,525,199
1 to 2 years	5.6%-12.8%	4,428,348	442,835
2 to 3 years	21.5%-30.0%	641,862	192,558
3 to 4 years	44.1%-50.0%	365,489	182,745
4 to 5 years	60.8%-80.0%	72,214	57,771
Over 5 years	100.0%	101,768	101,768
		155,578,573	2,993,731

Expected credit losses on trade receivables are presented as net ECL within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(2) Credit risk (continued)

(b) Expected credit loss measurement (continued)

(iv) Contract assets

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 2023	As at 31 December 2022
Expected credit loss rate	**4.03%**	4.46%
	RMB'000	RMB'000
Gross carring amount	**1,847,003**	1,985,822
Expected credit losses	**74,523**	88,598

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(2) Credit risk (continued)

(b) Expected credit loss measurement (continued)

(v) Other receivables and other assets

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

As at 31 December 2023

		Lifetime ECLs	
	Stage 1	**Stage 2**	**Stage 3**
Financial assets included in other receivables and other assets	**7,341,847**	**–**	**52,462**

As at 31 December 2022

		Lifetime ECLs	
	Stage 1	Stage 2	Stage 3
Financial assets included in other receivables and other assets	6,875,922	–	77,083

As at 31 December 2023 and 31 December 2022, other receivables and other assets in the stage 1 mainly consisted of deposits and other receivables, and receivables in the third stage was related to significant deterioration in the operating conditions of the counterparty company or involvement in multiple lawsuits.

As at 31 December 2023 and 31 December 2022, the Group has no other receivables and other assets in the stage 2.

(3) 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)

3.1 Financial risk factors (continued)

(3) Liquidity risk (continued)

At the reporting date, the Group held cash and cash equivalents of RMB63,808,538,000 (2022: RMB55,221,624,000) and trade and notes receivable of RMB184,432,543,000 (2022: RMB169,753,132,000) that are expected to readily generate cash inflows for managing liquidity risk. The Group 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 weighted average of 1.81% 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 2023					
Interest-bearing bank and other borrowings	**55,401,562**	**13,278,442**	**1,010,730**	**–**	**69,690,734**
Trade and notes payable	**146,632,453**	**–**	**–**	**–**	**146,632,453**
Dividends payable	**256,374**	**–**	**–**	**–**	**256,374**
Accruals and other payables	**24,989,435**	**–**	**–**	**–**	**24,989,435**
Lease liabilities	**1,832,455**	**1,362,313**	**1,803,435**	**594,764**	**5,592,967**
Other non-current liabilities	**–**	**16,191**	**78,420**	**–**	**94,611**
	229,112,279	**14,656,946**	**2,892,585**	**594,764**	**247,256,574**
As at 31 December 2022					
Interest-bearing bank and other borrowings	53,184,801	11,187,533	654,766	–	65,027,100
Trade and notes payable	137,085,061	–	–	–	137,085,061
Dividends payable	255,386	–	–	–	255,386
Accruals and other payables	26,277,735	–	–	–	26,277,735
Lease liabilities	1,665,394	1,476,136	1,838,721	689,647	5,669,898
Other non-current liabilities	–	50,260	–	–	50,260
	218,468,377	12,713,929	2,493,487	689,647	234,365,440

Note: The calculation of expected interest to be paid is based on borrowings as at 31 December 2023 and 2022 and the interest rates as at 31 December 2023 and 2022.

3. Financial risk management (continued)

3.2 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:

	2023 RMB'000	2022 RMB'000
Total liabilities	**263,076,099**	254,705,944
Total assets	**383,394,844**	364,775,134
Gearing ratio	**68.62%**	69.83%

3.3 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)

3.3 Fair value estimation (continued)

The table below presents the Group's financial instruments that are measured at fair value at 31 December 2023 and 2022.

	Level 1 RMB'000	**Level 2** RMB'000	**Level 3** RMB'000	**Total** RMB'000
At 31 December 2023				
Equity investments designated at fair value through other comprehensive income	**41,798**	**–**	**13,466**	**55,264**
Financial assets at fair value through profit or loss	**547**	**–**	**784,656**	**785,203**
Notes receivable held both to collect cash flows and to sell	**–**	**11,570,604**	**872,261**	**12,442,865**
	42,345	**11,570,604**	**1,670,383**	**13,283,332**
Financial liabilities at fair value through profit or loss	–	–	192,654	192,654

	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	–	22,149	57,381
Financial assets at fair value through profit or loss	498	–	795,428	795,926
Notes receivable held both to collect cash flows and to sell	–	11,179,244	–	11,179,244
	35,730	11,179,244	817,577	12,032,551

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

(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.

(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 and fund investments, and the liabilities included contingent consideration for acquisition of subsidiaries.

As at 31 December 2023, the Group recognised unlisted equity and fund investments of RMB798,122,000, notes receivable held both to collect cash flows and to sell of RMB872,261,000, and liabilities of contingent consideration for acquisition of subsidiaries of RMB192,654,000 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)

3.4 Fair value of financial assets and liabilities measured at amortised cost

At the end of respective reporting periods, the fair value of the current borrowings approximates to their carrying amount, as the impact of discounting is not significant. The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
Borrowings from banks and other financial institutions	**13,834,037**	7,752,736	**13,780,053**	7,786,796
Bonds	**–**	3,997,697	**–**	3,997,697

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 2023 were assessed to be insignificant. The fair values of the non-current borrowings are based on discounted cash flows using a rate based on the borrowing rate of 2.78% (2022: 2.96%) and are within Level 2 of the fair value hierarchy.

4. Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(i) The expected credit losses of trade receivables

The Group applied expected credit losses model under HKFRS 9 to measure the impairment against trade receivables.

The Group estimated the expected credit losses of trade receivables based on the lifetime expected credit losses. For trade receivable balances with objective evidence of impairment and significant different risk characteristics, individual provision was made based on a probability-weighted estimation of the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the Group expects to receive.

4. Critical estimates and judgements (continued)

(i) The expected credit losses of trade receivables (continued)

Trade receivables without objective evidence of impairment are grouped based on shared credit risk characteristics. The collective provision was determined based on the historical credit loss rates to the respective aging category of gross carrying amount of trade receivables. The expected credit loss rates are adjusted to reflect current and forward-looking information.

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.

(ii) Impairment of goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2023 and 2022 reporting periods, the recoverable amount of cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use 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 in note 19. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Details of impairment charge and key assumptions are disclosed in note 19.

(iii) 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.

(iv) 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 estimates and judgements (continued)

(v) 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.

(vi) 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.

(vii) 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 Group's business types, overall strategic planning, internal organisational structure and management requirements. The reportable operating segments derive their revenue primarily from the following four business types:

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

(ii) Medical devices distribution – 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 considered to be 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 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 2023 and 2022

	Pharmaceutical distribution RMB'000	Medical devices distribution RMB'000	Retail pharmacy RMB'000	Other business RMB'000	Eliminations RMB'000	Group RMB'000
Year ended 31 December 2023						
Segment results						
External segment revenue	423,756,702	129,583,830	34,986,357	8,242,676	–	596,569,565
Inter-segment revenue	17,294,000	629,108	703,026	2,142,954	(20,769,088)	–
Revenue	441,050,702	130,212,938	35,689,383	10,385,630	(20,769,088)	596,569,565
Operating profit	13,216,236	4,524,988	1,144,637	1,189,999	133,335	20,209,195
Other gains, net	365,098	(77,898)	(23,351)	397,435	–	661,284
Other expenses	(10,158)	(25,159)	–	–	–	(35,317)
Share of profits and losses of associates and joint ventures	10,730	36,409	1,822	1,058,388	–	1,107,349
	13,581,906	4,458,340	1,123,108	2,645,822	133,335	21,942,511
Finance costs, net						(2,430,374)
Profit before tax						19,512,137
Income tax expense						(4,502,309)
Profit for the year						15,009,828
Other segment items included in the statement of profit or loss						
Expected credit losses of financial and contract assets	297,272	326,990	43,257	(553)	–	666,966
(Reversal of provision)/provision for prepayment	(14,714)	(4,863)	28	(33)	–	(19,582)
Write-down of inventories, net	52,688	8,428	8,090	1,061	–	70,267
Provision for impairment of property, plant and equipment	217	3,584	–	–	–	3,801
Provision for impairment of intangible assets	40,989	77	10,032	–	–	51,098
Depreciation of property, plant and equipment	1,093,550	364,017	264,314	36,255	–	1,758,136
Depreciation of investment properties	61,425	31,957	1,121	2,807	–	97,310
Depreciation of right-of-use assets	851,245	280,700	975,004	51,923	–	2,158,872
Amortisation of intangible assets	369,755	–	45,997	178	–	415,930
Capital expenditures	1,424,902	692,728	251,813	118,987	–	2,488,430

5. Segment information (continued)

Segment revenue and results (continued)

(i) For the years ended 31 December 2023 and 2022 (continued)

	Pharmaceutical distribution RMB'000	Medical devices distribution 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						
Expected credit losses of financial and contract assets	321,484	302,844	41,144	995	–	666,467
(Reversal of provision)/provision for prepayment	(11,463)	(4,388)	14	(29)	–	(15,866)
Write-down of inventories, net	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 assets and liabilities

(ii) As at 31 December 2023 and 2022

	Pharmaceutical distribution RMB'000	Medical devices distribution RMB'000	Retail pharmacy RMB'000	Other business RMB'000	Eliminations RMB'000	Group RMB'000
As at 31 December 2023						
Segment assets and liabilities						
Segment assets	271,659,810	91,462,286	17,868,344	23,952,788	(23,512,063)	381,431,165
Segment assets include:						
Investments in associates and joint ventures	239,303	75,892	36,286	9,359,285	-	9,710,766
Unallocated assets – Deferred tax assets						1,963,679
Total assets						383,394,844
Segment liabilities	133,888,384	64,269,780	13,514,976	6,054,854	(24,004,760)	193,723,234
Unallocated liabilities – Deferred tax liabilities and borrowings						69,352,865
Total liabilities						263,076,099
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

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

	2023	2022
	RMB'000	RMB'000
Revenue from contracts with customers		
Sales of goods (at a point in time)	**592,469,026**	548,706,677
Logistics service income (over time)	**1,518,134**	1,446,497
Marketing and service income (over time)	**2,004,939**	1,333,279
Import agency income (at a point in time)	**61,339**	82,284
Others (at a point in time)	**317,152**	310,506
Revenue from other sources		
Operating lease income (Note 17)	**198,975**	268,307
	596,569,565	552,147,550

Revenue of RMB10,396,326,000 (2022: RMB6,085,953,000) relating to carried-forward contract liabilities at the beginning of the year was recognised in the current year.

7. Other income

	2023	2022
	RMB'000	RMB'000
Government grants	**582,010**	676,163

Government grants mainly represent subsidy income received from various government authorities as incentives to certain subsidiaries of the Group. There are no unfulfilled conditions or other contingencies attached to these grants.

8. Expected credit losses on financial and contract assets

	2023 RMB'000	2022 RMB'000
Expected credit losses of financial and contract assets, net:		
Trade and notes receivable (Note 29)	**628,615**	393,902
Contract assets (Note 30)	**(14,075)**	37,981
Other receivables (Note 31)	**27,074**	196,725
Other non-current assets (Note 27)	**25,463**	37,899
Finance lease receivables	**(111)**	(40)
	666,966	666,467

9. Other gains, net/Other expenses

	2023 RMB'000	2022 RMB'000
Other gains, net		
Write-back of certain liabilities	**98,923**	97,806
Gain/(loss) on disposal of subsidiaries (Note 43)	**27,736**	(36,376)
Gain on disposal of investment in associates and a joint venture	**20,517**	30,479
Gain on disposal of investment properties, property, plant and equipment and intangible assets	**235,925**	17,217
Gain on disposal of right-of-use assets	**228,648**	22,265
Foreign exchange loss, net	**(9,975)**	(2,388)
Donation	**(42,410)**	(62,085)
Dividend income from:		
Equity investments at fair value through other comprehensive income	**3,017**	535
Equity investments at fair value through profit or loss	**37,028**	12,516
Fair value gains on financial assets at fair value through profit or loss	**62,933**	13,184
Disposal of financial assets at fair value through profit or loss	**(1,665)**	125
Others, net	**607**	28,920
	661,284	122,198
Other Expenses		
Provision for impairment of property, plant and equipment (Note 18)	**(3,801)**	–
Provision for impairment of intangible assets (Note 19)	**(51,098)**	(55,786)
Reversal for impairment of prepayment	**19,582**	15,866
	(35,317)	(39,920)

10. Expenses by nature

	2023 RMB'000	2022 RMB'000
Raw materials and trading merchandise consumed	**546,728,833**	502,612,168
Employee benefit expenses (Note 11)	**15,186,630**	14,714,377
Write-down of inventories, net (Note 28)	**70,267**	21,408
Lease payments not included in the measurement of lease liabilities (Note 16(c))	**541,823**	666,358
Depreciation of property, plant and equipment (Note 18)	**1,758,136**	1,744,398
Depreciation of investment properties (Note 17)	**97,310**	40,744
Depreciation of right-of-use assets (Note 16(a))	**2,158,872**	1,989,216
Amortisation of intangible assets (Note 19)	**415,930**	390,661
Auditor's remuneration		
— audit services	**30,287**	48,846
— non-audit services	**403**	2,322
Advisory and consulting fees	**382,836**	401,976
Transportation expenses	**2,062,574**	2,268,813
Travel expenses	**260,613**	229,597
Market development and business promotion expenses	**3,523,739**	3,240,758
Utilities	**313,906**	292,982
Others	**675,491**	951,986
Total cost of sales, selling and distribution expenses, and administrative expenses	**574,207,650**	529,616,610

Notes: The impairment of goodwill amounted to RMB27,018,000 (2022: RMB38,980,000) was included in "Other expenses" (Note 9) in the consolidated statement of profit or loss.

11. Employee benefit expenses

	2023 RMB'000	2022 RMB'000
Salaries, wages, allowances and bonuses (i)	**11,980,393**	11,528,515
Contributions to pension plans (ii)	**1,364,455**	1,270,492
Post-employment benefits (Note 37)	**(6,724)**	6,217
Housing benefits (iii)	**565,015**	531,682
Other benefits (iv)	**1,283,491**	1,377,471
	15,186,630	14,714,377

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% (2022: 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% (2022: 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 of total RMB16,540,000 (31 December 2022: RMB32,572,000) were payable to the fund pension plan of China National Pharmaceutical Group at the year ended 31 December 2023.

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' relevant income. The Group operates retirement benefit plan as detailed in Note 37.

(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 (2022: two) directors whose emoluments are reflected in the analysis shown in Note 49. The emoluments payable to the remaining three (2022: three) individuals during the year are as follows:

	2023 **RMB'000**	2022 RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	**4,376**	4,184
Bonuses	**6,363**	6,019
Contributions to pension schemes	**587**	549
	11,326	10,752

	2023 **RMB'000**	2022 RMB'000
Emolument bands		
HK$3,500,001 – HK$4,000,000 (RMB3,171,771 – RMB3,624,880)	**1**	1
HK$4,000,001 – HK$4,500,000 (RMB3,624,881 – RMB4,077,990)	**1**	1
HK$4,500,001 – HK$5,000,000 (RMB4,077,991 – RMB4,531,100)	**1**	1

(vi) For the years ended 31 December 2023 and 2022, 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

	2023 RMB'000	2022 RMB'000
Interest expense:		
– Interest-bearing bank and other borrowings	**2,759,537**	3,331,514
– Net interest on net defined benefit liability (Note 37)	**10,898**	11,047
– Lease liabilities (Note 16(b))	**206,203**	199,303
Gross interest expense	**2,976,638**	3,541,864
Bank charges	**217,153**	212,433
Less: Capitalised interest expense	**(20,051)**	(21,538)
Finance costs	**3,173,740**	3,732,759
Finance income:		
– Interest income on deposits in banks and other financial institutions	**(560,471)**	(468,209)
– Interest income on long-term deposits	**(182,895)**	(74,558)
	(743,366)	(542,767)
Net finance costs	**2,430,374**	3,189,992

13. Taxation

	2023 RMB'000	2022 RMB'000
Current income tax	**4,650,544**	4,497,740
Deferred income tax (Note 26)	**(144,477)**	(261,458)
Adjustments in respect of current tax of previous periods	**(3,758)**	(17,905)
	4,502,309	4,218,377

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:

	2023 **RMB'000**	2022 RMB'000
Profit before tax	**19,512,137**	18,563,819
Tax calculated at the applicable tax rate	**4,878,034**	4,640,955
Impact of lower tax rates enacted by local authorities	**(346,985)**	(355,064)
Expenses not deductible for tax purposes	**137,415**	196,118
Income not subject to tax	**(245,892)**	(276,488)
Tax losses not recognised	**111,918**	39,207
Tax losses utilised from previous periods	**(22,213)**	(5,983)
Impact of change in the applicable income tax rate on deferred tax	**(6,210)**	(2,463)
Adjustments in respect of current tax of previous periods	**(3,758)**	(17,905)
Income tax expense	**4,502,309**	4,218,377

During 2023, 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 are subject to Hong Kong profits tax at the rate of 16.5% (2022: 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 is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2022/2023. The first HKD2,000,000 (2022: HKD2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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

	2023			2022		
	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	**6,864**	**(1,716)**	**5,148**	(13,694)	3,388	(10,306)
Remeasurement of post-employment benefit obligations	**(15,255)**	**6,259**	**(8,996)**	(14,125)	3,647	(10,478)
	(8,391)	**4,543**	**(3,848)**	(27,819)	7,035	(20,784)

14. Earnings per share

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 3,120,656,000 (31 December 2022: 3,120,656,000) in issue excluding treasury shares at the end of the Reporting Period.

The Company had no potentially dilutive ordinary shares in issue during the year ended 31 December 2023 and 2022.

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

	2023 **RMB'000**	2022 RMB'000
Earnings		
Profit attributable to equity holders of the parent used in the basic and diluted earnings per share calculation('000)	**9,053,760**	8,525,655
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
Treasury shares('000)	**(3,838)**	(3,838)
Weighted average number of ordinary shares outstanding used in the basic and diluted earnings per share calculation('000)	**3,116,818**	3,116,818
Basic and diluted earnings per share (RMB per share)	**2.90**	2.73

15. Dividends

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, amounting to RMB2,558,938,000 in total, was approved by the shareholders at the annual general meeting of the Company held on 15 June 2023.

A final dividend for the year ended 31 December 2023 of RMB0.87 (tax inclusive) per ordinary share, based on the total share capital of the Company of 3,120,656,191 ordinary shares, totalling approximately RMB2,714,971,000, is to be proposed at the upcoming annual general meeting according to the resolution passed at the Board meeting held on 22 March 2024. These financial statements have not reflected this proposed dividend.

	2023 **RMB'000**	2022 RMB'000
Proposed final dividend – RMB0.87 (2022: RMB0.82) per ordinary share	**2,714,971**	2,558,938

16. Leases

(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 2023, net of accumulated depreciation and impairment	**1,854,811**	**5,053,036**	**121,783**	**768**	**7,030,398**
Additions	**52,272**	**2,822,161**	**22,734**	**1,743**	**2,898,910**
Disposals	**(4,868)**	**(292,950)**	**(56,195)**	**–**	**(354,013)**
Depreciation (Note 10)	**(54,263)**	**(2,072,076)**	**(31,988)**	**(545)**	**(2,158,872)**
At 31 December 2023, net of accumulated depreciation and impairment	**1,847,952**	**5,510,171**	**56,334**	**1,966**	**7,416,423**
At 31 December 2023:					
Cost	**2,455,243**	**10,135,685**	**157,371**	**5,112**	**12,753,411**
Accumulated amortisation and impairment	**(607,291)**	**(4,625,514)**	**(101,037)**	**(3,146)**	**(5,336,988)**
Net carrying amount	**1,847,952**	**5,510,171**	**56,334**	**1,966**	**7,416,423**
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

As at 31 December 2023, there is no right-of-use asset (2022: With a net carrying amount of approximately RMB7,139,000) pledged as collateral for the Group's bank borrowings (Note 33).

16. Leases (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	**4,842,507**	4,797,916
New leases	**2,833,459**	2,237,660
Additions as a result of acquisition of a subsidiary (Note 45)	**13,179**	–
Accretion of interest recognised during the year (Note 12)	**206,203**	199,303
Payments	**(2,305,624)**	(2,024,083)
Disposals	**(372,358)**	(368,289)
Carrying amount at 31 December	**5,217,366**	4,842,507
Analysed into:		
Current portion	**1,796,525**	1,635,947
Non-current portion	**3,420,841**	3,206,560

The maturity analysis of lease liabilities is disclosed in Note 3.1(4) to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	**206,203**	199,303
Depreciation charge of right-of-use assets	**2,158,872**	1,989,216
Expense relating to short-term leases	**530,395**	657,585
Expense relating to leases of low-value assets with remaining lease terms ended on or before 31 December 2023	**10,746**	8,231
Variable lease payments not included in the measurement of lease liabilities	**682**	542
Gain on disposal of items of right-of-use assets	**(228,648)**	(22,265)
Total amount recognised in profit or loss	**2,678,250**	2,832,612

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

17. Investment properties

	2023 RMB'000	2022 RMB'000
Cost	**1,149,659**	1,129,874
Accumulated depreciation and impairment	**(648,193)**	(591,536)
Net carrying amount	**501,466**	538,338
Opening carrying amount	**538,338**	588,366
Transfer from property, plant and equipment (Note 18)	**490,566**	13,451
Transfer to property, plant and equipment (Note 18)	**(401,312)**	(22,105)
Disposal	**(28,816)**	(630)
Depreciation (Note 10)	**(97,310)**	(40,744)
Closing carrying amount	**501,466**	538,338

Investment properties are located in Mainland China on land with the land use periods of 25 to 50 years (2022: 25 to 50 years).

As at 31 December 2023, there is no investment property (2022: With a net carrying amount of approximately RMB12,000) pledged as collateral of the Group's bank borrowings (Note 33).

As at 31 December 2023, the fair value of the investment properties was estimated to be approximately RMB3,636,537,000 (2022: RMB3,720,297,000). 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:

	2023 RMB'000	2022 RMB'000
Revenue (Note 6)	**198,975**	268,307

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 2023						
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
At 1 January 2023, net of accumulated depreciation and impairment	8,458,789	2,093,387	920,190	344,347	800,053	12,616,766
Acquisition of subsidiaries (Note 45)	5,140	10,549	2,453	702	–	18,844
Additions	398,237	532,371	416,884	78,398	545,735	1,971,625
Transfers	473,228	242,108	59,825	–	(775,161)	–
Transfer from investment properties (Note 17)	401,312	–	–	–	–	401,312
Transfer to investment properties (Note 17)	(490,566)	–	–	–	–	(490,566)
Transfer to intangible assets (Note 19)	–	–	–	–	(58,565)	(58,565)
Disposals	(125,461)	(28,714)	(45,102)	(10,371)	(6,597)	(216,245)
Depreciation (Note 10)	(705,315)	(588,293)	(377,694)	(86,834)	–	(1,758,136)
Impairment	–	(3,594)	(137)	(70)	–	(3,801)
At 31 December 2023, net of accumulated depreciation and impairment	8,415,364	2,257,814	976,419	326,172	505,465	12,481,234
At 31 December 2023						
Cost	12,996,897	6,036,706	3,191,580	870,481	505,465	23,601,129
Accumulated depreciation and impairment	(4,581,533)	(3,778,892)	(2,215,161)	(544,309)	–	(11,119,895)
Net carrying amount	8,415,364	2,257,814	976,419	326,172	505,465	12,481,234

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 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)

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

	2023 RMB'000	2022 RMB'000
Borrowing costs capitalised	**20,051**	21,538
Weighted average rate of borrowing costs	**4.09%**	4.15%

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get 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.

Other borrowing costs are expensed in the period in which they are incurred.

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

	2023 RMB'000	2022 RMB'000
Cost of sales	**372,387**	356,019
Selling and distribution expenses	**784,148**	511,567
Administrative expenses	**601,601**	876,812
	1,758,136	1,744,398

As at 31 December 2023, property, plant and equipment with a net carrying amount of approximately RMB8,302,000 (2022: RMB20,384,000) 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	Software RMB'000	Product development costs RMB'000	Exclusive distribution rights and others RMB'000	Total RMB'000
At 1 January 2023, net of accumulated amortisation and impairment	7,155,580	2,060,975	271,918	508,906	74,436	99,104	10,170,919
Additions	–	–	113	137,143	173,092	–	310,348
Acquisition of subsidiaries (Note 45)	60,393	73,500	–	1,448	–	–	135,341
Transfers	–	–	5,254	56,714	(61,968)	–	–
Transfers from property, plant and equipment (Note 18)	–	–	–	58,565	–	–	58,565
Disposals	(3,226)	–	(3)	(3,225)	(5,542)	–	(11,996)
Amortisation (Note 10)	–	(184,345)	(32,580)	(186,334)	–	(12,671)	(415,930)
Impairment (Note 9)	(27,018)	(24,071)	–	(9)	–	–	(51,098)
At 31 December 2023, net of accumulated amortisation and impairment	7,185,729	1,926,059	244,702	573,208	180,018	86,433	10,196,149
At 31 December 2023:							
Cost	8,067,170	4,319,254	506,351	1,614,263	180,018	180,059	14,867,115
Accumulated amortisation and impairment	(881,441)	(2,393,195)	(261,649)	(1,041,055)	–	(93,626)	(4,670,966)
Net carrying amount	7,185,729	1,926,059	244,702	573,208	180,018	86,433	10,196,149

19. Intangible assets (continued)

	Goodwill RMB'000	Sales network RMB'000	Trademarks and patent rights RMB'000	Software RMB'000	Product development costs RMB'000	Exclusive distribution rights and others RMB'000	Total RMB'000
At 1 January 2022, net of accumulated amortisation and impairment	7,199,009	2,302,281	280,440	422,051	76,608	111,338	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)	(163,396)	–	(12,234)	(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	508,906	74,436	99,104	10,170,919
At 31 December 2022:							
Cost	8,010,003	4,245,753	500,990	1,367,839	74,436	180,058	14,379,079
Accumulated amortisation and impairment	(854,423)	(2,184,778)	(229,072)	(858,933)	–	(80,954)	(4,208,160)
Net carrying amount	7,155,580	2,060,975	271,918	508,906	74,436	99,104	10,170,919

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

	2023 RMB'000	2022 RMB'000
Selling and distribution expenses	**197,652**	201,807
Administrative expenses	**218,278**	188,854
	415,930	390,661

19. Intangible assets (continued)

Impairment tests for goodwill:

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

2023	Opening RMB'000	Additions RMB'000 (Note 45)	Impairment RMB'000	Disposal of subsidiaries RMB'000	Closing RMB'000
Pharmaceutical distribution	3,731,251	60,393	(27,018)	–	3,764,626
Medical devices	1,088,780	–	–	–	1,088,780
Retail pharmacy	2,290,261	–	–	(3,226)	2,287,035
Other businesses	45,288	–	–	–	45,288
	7,155,580	60,393	(27,018)	(3,226)	7,185,729

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

The Group involved external experts in the impairment assessment on certain CGUs. 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 value-in-use calculations of top 5 significant CGUs in 2023 are as follows:

	Retail pharmacy	Pharmaceutical distribution			
	CGU1	CGU2	CGU3	CGU4	CGU5
Net goodwill (RMB'000)	1,179,218	1,081,882	319,166	191,420	184,055
Revenue growth rates within the budget period	0.04%-4.97%	8.20%-8.60%	9.08%-14.44%	4.00%-5.00%	4.76%-10.97%
Gross margin rate	29.98%-30.53%	6.97%-7.27%	12.60%-13.33%	4.90%	4.39%-4.68%
Growth rates to extrapolate cash flows beyond the budget period	2.50%	2.50%	2.50%	2.50%	2.50%
Pre-tax discount rate	14.51%	14.87%	14.91%	14.85%	14.92%

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 RMB27,018,000 and intangible assets impairment amounting to RMB24,080,000 related to one CGU in Pharmaceutical distribution 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 2023 amounted to RMB45,736,528,000 (31 December 2022: RMB42,000,631,000). Set out below is the summarised non-controlling interest of subsidiaries that are material to the Group, including China National Medicines Corporation Ltd. ("**National Medicines**"), China National Accord Medicines Co., Ltd. ("**Sinopharm Accord**") and China National Scientific Instruments and Materials Co., Ltd ("**Scientific Instruments**"):

20. Subsidiaries (continued)

Material non-controlling interests (continued)

	National Medicines		Sinopharm Accord		Scientific Instruments	
	2023	2022	**2023**	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Non-controlling shareholding ratio	**45.28%**	45.28%	**43.94%**	43.94%	**40.00%**	40.00%
Total Non-controlling Interest	**8,901,055**	7,634,062	**11,196,993**	10,404,532	**9,684,899**	9,191,003
Total current net assets	**8,901,055**	7,634,062	**11,196,993**	10,404,532	**9,684,899**	9,191,003

The non-controlling interest in respect of each of the other subsidiaries is not material.

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.

Summarised statement of financial position

	National Medicines		Sinopharm Accord		Scientific Instruments	
	2023	2022	**2023**	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Current						
Assets	**28,279,389**	25,764,118	**36,370,055**	31,708,246	**54,292,355**	50,927,761
Liabilities	**(13,894,453)**	(12,739,590)	**(24,338,224)**	(21,027,599)	**(42,980,906)**	(41,328,282)
Total current net assets	**14,384,936**	13,024,528	**12,031,831**	10,680,647	**11,311,449**	9,599,479
Non-current						
Assets	**4,173,703**	3,844,924	**11,201,040**	10,907,514	**6,282,802**	6,277,617
Liabilities	**(1,025,485)**	(1,009,982)	**(2,255,030)**	(2,143,455)	**(2,031,099)**	(1,555,007)
Total non-current net assets	**3,148,218**	2,834,942	**8,946,010**	8,764,059	**4,251,703**	4,722,610
Net assets	**17,533,154**	15,859,470	**20,977,841**	19,444,706	**15,563,152**	14,322,089

20. Subsidiaries (continued)

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

Summarised statement of profit or loss

	National Medicines		Sinopharm Accord		Scientific Instruments	
	2023	2022	**2023**	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue	**49,696,046**	45,498,584	**75,477,485**	73,443,137	**84,706,839**	80,576,653
Profit before income tax	**2,930,890**	2,687,886	**2,473,227**	2,311,070	**2,678,234**	2,866,322
Income tax expense	**(596,420)**	(559,181)	**(514,739)**	(539,332)	**(669,802)**	(710,427)
Post-tax profit	**2,334,470**	2,128,705	**1,958,488**	1,771,738	**2,008,432**	2,155,895
Other comprehensive loss	**5,103**	(1,068)	**56**	(23,324)	**(850)**	6,767
Total comprehensive income	**2,339,573**	2,127,637	**1,958,544**	1,748,414	**2,007,582**	2,162,662
Total comprehensive income allocated to non-controlling interests	**1,163,276**	1,053,548	**1,061,886**	922,793	**1,377,368**	1,484,043
Dividends paid to non-controlling interests	**337,740**	301,540	**255,490**	194,728	**584,885**	401,095

20. Subsidiaries (continued)

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

Summarised cash flows

	National Medicines		Sinopharm Accord		Scientific Instruments	
	2023 RMB'000	2022 RMB'000	**2023 RMB'000**	2022 RMB'000	**2023 RMB'000**	2022 RMB'000
Cash flows from operating activities						
Cash generated from operations	**3,295,661**	2,966,956	**3,531,165**	3,110,988	**1,282,968**	2,649,740
Income tax paid	**(569,004)**	(571,833)	**(594,026)**	(550,558)	**(746,964)**	(748,653)
Net cash from operating activities	**2,726,657**	2,395,124	**2,937,139**	2,560,430	**536,004**	1,901,087
Net cash used in investing activities	**(129,311)**	(152,319)	**(135,435)**	(342,819)	**(220,611)**	(517,747)
Net cash used in financing activities	**(632,176)**	(639,573)	**(2,407,642)**	(1,507,760)	**925,853**	(150,170)
Net increase/(decrease) in cash and cash equivalents	**1,965,170**	1,603,232	**394,062**	709,851	**1,241,246**	1,233,170
Cash and cash equivalents at beginning of year	**8,833,148**	7,229,916	**5,442,173**	4,733,512	**8,480,792**	7,230,802
Effect of foreign exchange rate changes, net	**–**	–	**(941)**	(1,190)	**3,372**	16,820
Cash and cash equivalents at end of year	**10,798,318**	8,833,148	**5,835,294**	5,442,173	**9,725,410**	8,480,792

The information above is before inter-company eliminations.

21. Investments in associates

	2023 RMB'000	2022 RMB'000
At 1 January	**8,967,418**	8,387,677
Additions	**15,946**	4,749
Share of results	**1,111,568**	1,064,155
Unrealised gain on transactions with an associate	**22,003**	44,656
Share of other comprehensive income	**607**	3,226
Share of changes in equity other than comprehensive income and distributions received from associates	**2,862**	(14,619)
Dividends declared by associates attributable to the Group	**(380,253)**	(516,823)
Disposal of investments in associates	**(52,197)**	(5,603)
At 31 December	**9,687,954**	8,967,418

The Group's receivable and payable balances with the associates are disclosed in Note 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
			2023(i)	2022(i)	
Shanghai Modern Pharmaceutical Co., Ltd. (i) (上海現代製藥股份有限公司)	Ordinary shares of RMB1 each	PRC/Mainland China	**13.88%**	15.89%	Pharmaceutical manufacturing
Yichang Humanwell Pharmaceutical Co., Ltd. (宜昌人福藥業有限責任公司)	Ordinary shares of RMB1 each	PRC/Mainland China	**20.00%**	20.00%	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 2023 and the year ended 31 December 2022.

Shanghai Modern Pharmaceutical Co., Ltd. converted RMB1,608,497,000 of convertible bonds into its shares, and the cumulative number of shares converted was 169,086,344 stocks, resulting in the dilution of the Group from 15.89% to 13.88%, as a result, the reserve was increased by RMB272,897.

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:

	2023 RMB'000	2022 RMB'000
Current assets	**10,656,992**	11,684,457
Non-current assets	**8,695,290**	7,945,889
Current liabilities	**(3,779,675)**	(4,195,506)
Non-current liabilities	**(1,234,393)**	(3,282,119)
Non-controlling interests	**(1,949,853)**	(1,847,277)
Net assets	**12,388,361**	10,305,444
Market value of listed shares	**13,130,081**	10,548,774
Proportion of the Group's ownership	**13.88%**	15.89%
Carrying amount of the investment	**1,719,505**	1,637,535
Revenue	**12,069,930**	12,959,321
Profit for the year	**964,611**	867,485
Other comprehensive income	**91**	497
Dividend received	**18,619**	18,621

21. Investments in associates (continued)

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

	2023 RMB'000	2022 RMB'000
Current assets	**4,906,192**	5,091,941
Non-current assets	**5,929,527**	5,358,895
Current liabilities	**(2,231,624)**	(2,746,307)
Non-current liabilities	**(430,600)**	(898,800)
Non-controlling interests	**(62,535)**	(90,174)
Other Adjustment	**(73,959)**	(17,449)
Net assets	**8,037,001**	6,698,106
Proportion of the Group's ownership	**20.00%**	20.00%
Carrying amount of the investment	**1,607,400**	1,339,621
Revenue	**8,059,578**	7,009,953
Profit for the year	**2,428,785**	2,078,014
Other comprehensive income	**369**	–
Dividend received	**206,620**	185,440

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2023 RMB'000	2022 RMB'000
Share of the associates' profit for the year	**559,217**	575,421
Share of the associates' other comprehensive income	**595**	3,135
Share of the associates' total comprehensive income	**559,812**	578,556
Aggregate carrying amount of the Group's investments in the associates	**6,361,049**	5,990,261

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

	2023 RMB'000	2022 RMB'000
Listed equity investment, at fair value		
Jiangsu Lianhuan Pharmaceutical Group Co., Ltd.	**41,798**	35,232
Unlisted equity investments, at fair value		
Shanghai Fuxin Chuanghong Fund Investment Co., Ltd.	**7,214**	14,850
Shanghai Guoda Shuguang Pharmacy Co., Ltd.	**–**	680
Shanghai Guoren Pharmacy Co., Ltd.	**283**	283
Suzhou Liuliu Vision Technology Co., Ltd.	**4,755**	4,755
Horgos Boyun Limin E-commerce Co., Ltd.	**–**	337
Zhejiang Wahaha Industrial Co., Ltd.	**300**	300
Sinopharm (Shanghai) E-commerce Co., Ltd.	**471**	471
Hunan Zhongbai Pharmaceutical Investment Co., Ltd.	**–**	30
Shenzhen Zhonglian Guangshen Pharmaceutical Group Co., Ltd.	**293**	293
Wuhan Gaoke Medical Device Enterprise Incubation Co., Ltd.	**150**	150
	13,466	22,149
	55,264	57,381

(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 2023, the Group received dividends in an aggregate amount of RMB3,017,000 (2022: RMB535,000).

23. Financial assets at fair value through profit or loss

	2023 RMB'000	2022 RMB'000
Listed equity investments, at fair value	**125**	498
Unlisted equity investments, at fair value	**463,897**	466,640
Investments in funds, at fair value	**320,759**	328,788
Contingent consideration, at fair value	**422**	–
	785,203	795,926
Less: Current portion	**(547)**	(498)
	784,656	795,428

24. Finance lease receivables

	2023 RMB'000	2022 RMB'000
Finance lease receivables	**22,197**	22,596
Less: Unearned finance income	**(610)**	(409)
Net finance lease receivables	**21,587**	22,187
Less: Expected credit losses	**(12,436)**	(12,547)
Less: Current portion	**(3,297)**	(3,778)
	5,854	5,862

25. Financial instruments by category

At 31 December 2023

	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	Notes receivable held both to collect cash flows and to sell RMB'000	Total RMB'000
Financial assets included in other non-current assets	2,462,107	–	–	–	2,462,107
Equity investments designated at fair value through other comprehensive income	–	–	55,264	–	55,264
Financial assets at fair value through profit and loss (Note 23)	–	785,203	–	–	785,203
Finance lease receivables (Note 24)	9,151	–	–	–	9,151
Trade and notes receivable (Note 29)	171,989,678	–	–	12,442,865	184,432,543
Financial assets included in prepayments, other receivables and other assets	7,394,309	–	–	–	7,394,309
Pledged deposits, restricted cash and bank deposits with an initial term of over three months (Note 32)	11,011,076	–	–	–	11,011,076
Cash and cash equivalents (Note 32)	63,808,538	–	–	–	63,808,538
	256,674,859	785,203	55,264	12,442,865	269,958,191

25. Financial instruments by category (continued)

At 31 December 2023 (continued)

	Financial liabilities at amortised cost RMB'000
Interest-bearing bank and other borrowings (Note 33)	68,564,486
Trade and notes payable (Note 34)	146,632,453
Dividends payable	256,374
Lease liabilities (Note 16 (b))	5,217,366
Financial liabilities included in accruals and other payables	25,731,950
	246,402,629

	Financial liabilities at fair value through profit or loss RMB'000
Financial liabilities included in other non-current liabilities (Note 38)	78,420
Financial liabilities included in accruals and other payables (Note 36)	114,234
	192,654

25. Financial instruments by category (continued)

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	Notes receivable held both to collect cash flows and to sell 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 notes receivable (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, restricted cash and bank deposits with an initial term of over three months (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 notes payable (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

26. Deferred income tax

	2023 RMB'000	2022 RMB'000
Deferred tax assets	**1,963,679**	1,979,743
Deferred tax liabilities	**(788,379)**	(936,744)
	1,175,300	1,042,999

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 2022	197,395	809,980	30,336	73,567	1,214,103	611,967	2,937,348
(Charged)/credited to the consolidated statement of profit or loss	(23,617)	104,778	4,633	36,747	(2,361)	60,751	180,931
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	1,211,742	672,718	3,119,579
Acquisition of subsidiaries (Note 45)	**–**	**–**	**–**	**–**	**–**	**770**	**770**
(Charged)/credited to the consolidated statement of profit or loss	**(3,936)**	**121,222**	**4,872**	**46,232**	**(31,564)**	**(18,005)**	**118,821**
Credited to other comprehensive income	**4,543**	**–**	**–**	**–**	**–**	**–**	**4,543**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**–**	**(845)**	**(845)**
At 31 December 2023	**178,032**	**1,034,217**	**39,841**	**155,962**	**1,180,178**	**654,638**	**3,242,868**

26. Deferred income tax (continued)

Deferred tax liabilities

	Fair value adjustments on assets relating to business combinations	Fair value gains on equity investments at fair value through profit and loss	Fair value gains on equity investments at fair value through other comprehensive income	Right-of-use assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	898,344	439	10,935	1,158,574	104,755	2,173,047
(Credited)/charged to the consolidated statement of profit or loss	(71,620)	7,094	–	(16,414)	413	(80,527)
Credited 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	1,142,160	105,165	2,076,580
Acquisition of subsidiaries (Note 45)	**18,375**	**–**	**–**	**–**	**–**	**18,375**
(Credited)/charged to the consolidated statement of profit or loss	**(137,977)**	**(4,106)**	**–**	**(9,026)**	**125,423**	**(25,656)**
Credited to other comprehensive income	**–**	**–**	**(1,716)**	**–**	**–**	**(1,716)**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**(15)**	**(15)**
At 31 December 2023	**694,573**	**3,427**	**5,831**	**1,133,134**	**230,603**	**2,067,568**

The net balances of deferred tax assets and liabilities after offsetting are as follows:

	31 December 2023		31 December 2022	
	Offsetting amount	**Amount after offset**	Offsetting amount	Amount after offset
Deferred tax assets	**(1,279,189)**	**1,963,679**	(1,139,836)	1,979,743
Deferred tax liabilities	**1,279,189**	**788,379**	1,139,836	936,744

26. Deferred income tax (continued)

Deductible temporary difference and deductible losses of the Group that were not recognised as deferred tax assets are analysed as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Deductible temporary difference	**62,203**	156,307
Deductible losses	**923,577**	689,801
	985,780	846,108

The due dates for deductible losses that were not recognised as deferred tax assets are distributed as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Within 1 year	**142,029**	42,091
1 to 2 years	**68,387**	150,679
2 to 3 years	**84,689**	71,220
3 to 4 years	**215,402**	103.887
4 to 5 years	**413,070**	321,924
	923,577	689,801

27. Other non-current assets

	2023 RMB'000	2022 RMB'000
Long-term deposits and prepayment	**1,946,977**	1,748,156
Contract assets	**275,766**	450,062
Instalment sales	**512,299**	667,468
Others	**819,303**	405,209
	3,554,345	3,270,895
Expected credit losses	**(110,092)**	(84,629)
	3,444,253	3,186,266

27. Other non-current assets (continued)

The movements in the expected credit losses of non-current assets are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	**84,629**	46,730
Expected credit losses, net (Note 8)	**25,463**	37,899
At end of year	**110,092**	84,629

As at 31 December 2023 and 31 December 2022, the other-non current assets were in the stage 1.

28. Inventories

	2023 RMB'000	2022 RMB'000
Raw materials	**229,652**	269,400
Work in progress	**39,204**	31,906
Finished goods and trading merchandise	**60,053,307**	60,859,940
	60,322,163	61,161,246
Less: Provision for impairment	**(294,515)**	(235,415)
	60,027,648	60,925,831

The cost of inventories included in cost of sales amounted to RMB546,728,833,000 (2022: RMB502,612,168,000) (Note 10).

28. Inventories (continued)

Movements in provision for impairment of inventories are as follows:

	2023 RMB'000	2022 RMB'000
At 1 January	**235,415**	234,575
Acquisition of subsidiaries	**–**	30
Provision for the year (Note 10)	**70,267**	21,408
Write-off for the year	**(11,167)**	(20,598)
At 31 December	**294,515**	235,415

29. Trade and notes receivable

	2023 RMB'000	2022 RMB'000
Trade receivables	**169,002,890**	155,578,573
Notes receivable held both to collect cash flows and to sell	**12,442,865**	11,179,244
Notes receivable	**6,682,962**	6,069,315
	188,128,717	172,827,132
Less: Expected credit losses	**(3,696,174)**	(3,074,000)
	184,432,543	169,753,132

The fair value of trade and notes receivable 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 generally ranging from 30 to 210 days.The aging analysis of trade receivables, based on the invoice date and net of expected credit losses, as at the end of the reporting period, is as follows:

29. Trade and notes receivable (continued)

	2023 RMB'000	2022 RMB'000
Within 1 year	**158,669,524**	147,857,116
1 to 2 years	**5,921,366**	4,045,001
Over 2 years	**807,374**	682,725
	165,398,264	152,584,842

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit losses for trade and notes receivable. To measure the expected credit losses, these receivables have been grouped based on shared credit risk characteristics and the aging from billing except for individually provided, where applicable. See Note 3.1(2)(b) and Note 4(i) for further information about expected credit losses.

The movements in the expected credit losses of trade and notes receivable are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	**3,074,000**	2,695,902
Expected credit losses, net (Note 8)	**628,615**	393,902
Other decrease for the year	**–**	(406)
Disposal of subsidiaries	**(46)**	(11,633)
Amount written off as uncollectible	**(6,395)**	(3,765)
At end of year	**3,696,174**	3,074,000

The maximum exposure to credit risk as at 31 December 2023 was the carrying value of each category of receivables mentioned above and in Note 31.

As at 31 December 2023, notes receivable of RMB310,572,000 (2022: RMB121,964,000) and trade receivables of RMB928,314,000 (2022: RMB1,972,621,000) were pledged as collateral for the Group's bank borrowings.

As at 31 December 2023, notes receivable of RMB330,655,000 (2022: RMB270,427,000) and trade receivables of RMB357,077,000 were pledged as collateral for the Group's notes payable.

29. Trade and notes receivable (continued)

As at 31 December 2023, outstanding trade receivables of RMB58,159,689,000 (2022: RMB59,585,086,000) were derecognised under the trade receivables factoring programs without recourse. The aging of these derecognised trade receivables was basically within one year. As at 31 December 2023, the collection of such trade receivables on behalf of banks amounting to RMB6,424,793,000 (2022: RMB6,047,315,000) and the collection of such trade receivables on behalf of related parties amounting to RMB1,690,185,000 (2022: RMB1,484,315,000) was recorded in other payables (Note 36). During the year of 2023, the losses on derecognition of trade and notes receivable was RMB2,067,764,000 (2022: RMB1,936,170,000).

30. Contract assets

	2023 **RMB'000**	2022 RMB'000
Contract asset arising from:		
Sale of goods	**1,704,808**	1,985,822
Less: Expected credit losses	**(74,523)**	(88,598)
Less: Contract assets listed in other non-current assets	**(275,766)**	(450,062)
	1,354,519	1,447,162

A contract asset represents the Group's right to consideration in exchange for sales of goods 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 expected credit losses of contract assets are as follows:

	2023 **RMB'000**	2022 RMB'000
At beginning of year	**88,598**	50,617
Expected credit losses (Note 8)	**(14,075)**	37,981
At end of year	**74,523**	88,598

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. 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.

The expected timing of recovery or settlement for contract assets as at 31 December 2023 was mainly within one year.

31. Prepayments, other receivables and other assets

	2023 **RMB'000**	2022 RMB'000
Prepayments	**7,407,698**	11,708,477
Other current assets	**1,159,841**	825,295
Deposits	**3,329,981**	3,198,765
Staff advances	**57,790**	54,352
Amounts due from related parties (Note 46)		
– other receivables	**104,275**	117,300
– prepayments	**235,084**	525,983
Purchase rebate	**1,165,408**	1,140,257
Other receivables	**3,431,968**	3,115,080
	16,892,045	20,685,509
Less: Expected credit losses	**(695,113)**	(669,151)
	16,196,932	20,016,358

The movements in the loss allowance for expected credit losses of other receivables and other assets are as follows:

	2023 **RMB'000**	2022 RMB'000
At beginning of year	**669,151**	476,247
Expected credit losses (Note 8)	**27,074**	196,725
Amount written off as uncollectible	**(1,112)**	(3,821)
At end of year	**695,113**	669,151

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.

As at 31 December 2023 and 31 December 31 2022, other receivables in the stage 1 mainly consisted of deposits and other receivables, and receivables in the stage 3 was related to significant deterioration in the operating conditions of the counterparty company or involvement in multiple lawsuits.

32. Pledged deposits, restricted cash and bank deposits with an initial term of over three months

	2023 RMB'000	2022 RMB'000
Pledged deposits, restricted cash and bank deposits with an initial term of over three months		
Pledged deposits	**9,156,686**	10,445,309
Restricted cash	**1,849,729**	1,487,602
Bank deposits with an initial term of over three months	**4,661**	105,088
	11,011,076	12,037,999
Cash and cash equivalents		
– Cash on hand	**6,839**	12,973
– Cash in banks	**61,414,762**	52,866,076
– Cash in other financial institutions (Note 46)	**2,386,937**	2,342,575
	63,808,538	55,221,624
Pledged deposits, restricted cash and bank deposits with an initial term of over three months, and cash and cash equivalents		
Denominated in		
– RMB	**74,515,712**	67,022,960
– USD	**233,502**	202,869
– EUR	**3,061**	23,091
– HKD	**62,890**	1,234
– Others	**4,449**	9,469
	74,819,614	67,259,623

32. Pledged deposits, restricted cash and bank deposits with an initial term of over three months (continued)

Bank deposits are pledged as collateral for the following:

	2023 **RMB'000**	2022 RMB'000
Bank acceptance notes	**8,578,504**	9,498,566
Letters of credit	**228,189**	296,245
Letters of guarantee	**179,224**	408,262
Others	**170,769**	242,236
	9,156,686	10,445,309

The maximum exposure to credit risk as at 31 December 2023 and 2022 approximated to the carrying values of pledged deposits, restricted cash, bank deposits with an initial term of over three months, and cash and cash equivalents.

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

	2023	2022
Weighted average effective interest rate (per annum)	**1.25%**	1.15%

33. Interest-bearing bank and other borrowings

	2023 RMB'000	2022 RMB'000
Non-current		
Unsecured bank borrowings	13,638,820	7,751,898
Unsecured borrowings from other financial institutions and related parties	195,217	838
Bonds	–	3,997,697
	13,834,037	11,750,433
Current		
Mortgaged bank borrowings	85,061	676,284
Pledged bank borrowings	1,123,938	1,161,302
Guaranteed bank borrowings	62,063	278,069
Unsecured bank borrowings	40,970,141	34,613,623
Unsecured borrowings from other financial institutions and related parties	6,322,949	5,668,372
Secured borrowings from other financial institutions and related parties	97,686	488,997
Bonds	6,068,611	10,110,599
	54,730,449	52,997,246
Total borrowings	68,564,486	64,747,679
The carrying amounts of the Group's borrowings are denominated in the following currencies:		
– RMB	68,564,486	64,737,629
– EUR	–	10,050
	68,564,486	64,747,679

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

Information on the issuance of the bonds by the Company is as follows:

	Issue date	Period	Nominal Value RMB'000	Fixed Interest Rate
Corporate Bond	29 July 2020	3 Years	2,700,000	3.27%
Corporate Bond	4 February 2021	3 Years	1,000,000	3.65%
Corporate Bond	3 November 2021	3 Years	3,000,000	3.20%
Super & Short-term Commercial Paper	5 August 2022	180 days	3,000,000	1.80%
Super & Short-term Commercial Paper	19 August 2022	270 days	3,000,000	1.85%
Super & Short-term Commercial Paper	5 September 2022	180 days	3,000,000	1.70%
Super & Short-term Commercial Paper	13 February 2023	180 days	3,000,000	2.27%
Super & Short-term Commercial Paper	16 March 2023	180 days	3,000,000	2.21%
Super & Short-term Commercial Paper	24 July 2023	270 days	2,000,000	2.37%
Super & Short-term Commercial Paper	10 August 2023	140 days	2,000,000	2.15%
Super & Short-term Commercial Paper	8 September 2023	111 days	3,000,000	2.20%

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 2023, the corporate bond were sold back in the amount of RMB1,713,000,000.Investors repaid the principal at maturity of RMB987,000,000 and interest of RMB24,379,000.

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 3 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 2023, the corporate bonds were classified as 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 2 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 2023, the corporate bonds were classified as current liabilities.

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	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**48,661,838**	42,886,646	**6,068,611**	10,110,599
Between 1 and 2 years	**12,829,639**	7,117,505	**–**	3,997,697
Between 2 and 5 years	**1,004,398**	635,232	**–**	–
	62,495,875	50,639,383	**6,068,611**	14,108,296

All of the Group's borrowings from banks or other financial institutions are at floating rates as follows:

	2023	2022
Weighted average effective interest rate (per annum)	**2.82%**	2.94%

The collateral for the Group's secured bank borrowings is as follows:

	2023	2022
	RMB'000	RMB'000
Property, plant and equipment (Note 18)	**8,302**	20,384
Investment properties (Note 17)	**–**	12
Right-of-use assets (Note 16)	**–**	7,139
Notes receivable (Note 29)	**310,572**	121,964
Trade receivables (Note 29)	**928,314**	1,972,621
	1,247,188	2,122,120

34. Trade and notes payable

	2023 RMB'000	2022 RMB'000
Trade payables	**108,952,818**	99,451,067
Notes payable	**37,679,635**	37,633,994
	146,632,453	137,085,061

The trade and notes payable are non-interest-bearing and are normally settled on 90-day terms. The fair value of trade payables approximates to their carrying amount.

An aging analysis of the trade and notes payable as at the end of the reporting period, based on the invoice date, is as follows:

	2023 RMB'000	2022 RMB'000
Within 3 months	**101,351,442**	98,405,927
Between 3 and 6 months	**26,186,117**	20,372,122
Between 6 months and 1 year	**12,368,569**	9,066,377
Between 1 and 2 years	**4,351,596**	7,104,143
Over 2 years	**2,374,729**	2,136,492
	146,632,453	137,085,061

The Group's trade and notes payable are denominated in the following currencies:

	2023 RMB'000	2022 RMB'000
RMB	**146,536,449**	137,081,555
USD	**87,263**	–
EUR	**1,235**	221
NZD	**7,506**	–
JPY	**–**	3,285
	146,632,453	137,085,061

35. Contract Liabilities

	2023 RMB'000	2022 RMB'000
Non-current		
– Amounts received in advance of delivery of products and services	**45,898**	44,934
– Loyalty program	**34,332**	51,484
Current		
– Amounts received in advance of delivery of products and services	**6,398,902**	10,396,326
	6,479,132	10,492,744

36. Accruals and other payables

	2023 RMB'000	2022 RMB'000
Accrual of operating expenses	**3,623,757**	3,843,321
Collection of trade receivables on behalf of financial institutions under factoring programs (Note 29)	**6,424,793**	6,047,315
Collection of trade receivables on behalf of related parties under factoring programs (Note 29, Note 46)	**1,690,185**	1,484,315
Salary and welfare payable	**2,841,078**	2,969,846
Other deposits	**7,495,597**	7,712,374
Taxes payable other than income tax	**1,214,104**	1,575,418
Interest payable due to third parties	**1,085,682**	1,122,197
Interest payable due to related parties (Note 46)	**67,152**	60,688
Other payables due to related parties (Note 46)	**60,418**	87,815
Payables arising from acquisition of subsidiaries and contingent consideration	**456,291**	312,500
Payables arising from acquisition of non-controlling interests	**–**	26,473
Others	**4,942,309**	5,647,471
	29,901,366	30,889,733

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:

	2023 RMB'000	2022 RMB'000
Obligations for post-employment benefits in the consolidated statement of financial position	**366,512**	380,713
Charge for post-employment benefits in the consolidated statement of profit or loss	**4,174**	17,264
Remeasurement gains recognised in other comprehensive income (Note 13)	**15,255**	14,125
Cumulative remeasurement losses recognised in other comprehensive income	**183,031**	167,776

The amounts recognised in the consolidated statement of financial position are analysed as follows:

	2023 RMB'000	2022 RMB'000
Present value of funded obligations	**32,060**	33,900
Fair value of plan assets	**(118,914)**	(118,929)
Surplus of funded plans	**(86,854)**	(85,029)
Present value of unfunded post-employment benefit obligations	**453,366**	465,742
Liability in the consolidated statement of financial position	**366,512**	380,713

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 2023	499,642	(118,929)	380,713
Current service cost	3,715	–	3,715
Past service cost	(10,439)	–	(10,439)
Interest expense (Note 12)	13,919	(3,021)	10,898
	7,195	(3,021)	4,174
Remeasurements:			
– Return on plan assets, excluding amounts included in interest income	–	1,372	1,372
– Gains from change in financial assumptions	13,883	–	13,883
	13,883	1,372	15,255
Contributions:			
– Employers	–	(1,644)	(1,644)
Payments:			
– Benefit payments	(35,294)	3,308	(31,986)
At 31 December 2023	485,426	(118,914)	366,512

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 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

The significant actuarial assumptions are as follows:

	2023	2022
Discount rate	**2.75%**	3.00%
Pension growth rate	**5.00%**	6.00%

37. Post-employment benefit obligations (continued)

Mortality: Average life expectancy of residents in Mainland China

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 2.72%	Increase by 2.86%
Pension growth rate	0.50%	Increase by 1.12%	Decrease by 1.00%

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.

As at 31 December 2023, fair value of the plan asset was RMB118,914,000 (31 December 2022: RMB118,929,000). As at 31 December 2023, obligations under these defined benefit plans are 25.37% (31 December 2022: 24.70%) 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 2023	**Less than 1 year RMB'000**	**Between 1 and 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Post-employment benefits	**36,680**	**122,333**	**572,720**	**731,733**

38. Other non-current liabilities

	2023 RMB'000	2022 RMB'000
Medical reserve funds		
– general (i)	**2,095,185**	2,288,815
– for H1N1 vaccines	**488,024**	581,358
Government grants for construction of logistics centres (ii)	**78,996**	80,874
Other government grants	**289,015**	316,555
Payment for purchase of non-controlling interests	**–**	11,100
Payables for acquisition of subsidiaries	**78,420**	39,160
Others	**65,823**	54,257
	3,095,463	3,372,119

(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 RMB311,746,000 during the year ended 31 December 2023 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. RMB505,376,000 was settled with the government during the year ended 31 December 2023 (2022: RMB808,263,000). 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 2023, 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
At 1 January 2023 and at 31 December 2023	3,120,656	1,778,845	1,341,811	3,120,656

40. Other reserves and retained earnings

	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 2023		24,641,485	1,787,155	17,217	(4,407,794)	42,913,678	64,951,741
Profit for the year		-	-	-	-	9,053,760	9,053,760
Changes in fair value of equity investments at fair value through other comprehensive income							
– gross		-	-	4,324	-	-	4,324
– tax		-	-	(670)	-	-	(670)
Remeasurement on post-employment benefit obligations							
– gross		-	-	-	(9,587)	-	(9,587)
– tax		-	-	-	3,264	-	3,264
Exchange differences on translation of foreign operations		-	-	-	1,798	-	1,798
Share of other comprehensive income of associates		-	-	-	602	-	602
Dividend declared		-	-	-	-	(2,558,837)	(2,558,837)
Effects of transactions with non-controlling interests	44	-	-	-	6,429	-	6,429
Share of changes in equity other than comprehensive income and distributions received from associates		-	-	-	2,898	-	2,898
Others		-	-	-	8,218	1,459	9,677
At 31 December 2023		24,641,485	1,787,155	20,871	(4,394,172)	49,410,060	71,465,399

40. Other reserves and retained earnings (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 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. Other reserves and retained earnings (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 2023 included the proposed final dividend of RMB2,714,971,000 (2022: RMB2,558,938,000).

(c) Other reserves mainly represent reserves for transactions with non-controlling interests, remeasurement on post-employment benefit obligations and equity-settled share incentive scheme.

41. Notes to the consolidated statement of cash flows

(a) Cash generated from operations

	2023 RMB'000	2022 RMB'000
Profit before income tax	**19,512,137**	18,563,819
Adjustments for:		
– Share of profits and losses of associates (Note 21)	**(1,111,568)**	(1,064,155)
– Share of profits and losses of joint ventures	**4,219**	(2,912)
– Asset impairment	**772,550**	729,814
– Depreciation of property, plant and equipment and investment properties	**1,855,446**	1,785,142
– Amortisation of intangible assets (Note 10)	**415,930**	390,661
– Depreciation of right-of-use assets (Note 10)	**2,158,872**	1,989,216
– Gain on disposal of investment properties, property, plant and equipment and intangible assets (Note 9)	**(235,925)**	(17,217)
– Gain on disposal of right-of-use assets (Note 9)	**(228,648)**	(22,265)
– Write-back of certain liabilities (Note 9)	**(98,923)**	(97,806)
– Loss on disposal of financial assets measured at amortised cost and finance costs	**2,718,438**	5,202,742
– Gain on disposal of subsidiaries and fair value remeasurement of existing equity in the subsidiary (Notes 9&43)	**(27,736)**	36,376
– Loss on disposal of an investment accounted for the equity method (Note 9)	**(20,517)**	(30,479)
– (Gain)/loss on disposal of FVTPL	**1,665**	(125)
– Fair value gains/(loss) on financial assets at fair value through profit or loss (Note 9)	**(62,933)**	(13,184)
– Dividend from financial assets at fair value through profit or loss (Note 9)	**(37,028)**	(12,516)
– Dividend from financial assets at fair value through other comprehensive income (Note 9)	**(3,017)**	(535)
	25,612,962	27,436,576
– Restricted cash	**925,194**	–
– Inventories	**455,558**	(9,504,224)
– Trade and notes receivable	**(14,955,584)**	1,011,665
– Contract assets	**105,978**	(301,542)
– Prepayments, other receivables and other assets	**4,885,011**	(7,504,012)
– Trade and notes payable	**10,784,448**	8,315,050
– Contract liabilities	**(3,961,321)**	4,314,487
– Accruals, other payables and other liabilities	**(2,103,740)**	1,594,875
Cash generated from operations	**21,748,506**	25,362,875

41. Notes to the consolidated statement of cash flows (continued)

(b) Major non-cash investing and financing transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB2,898,910,000 and RMB2,846,638,000, respectively, in respect of lease arrangements for plant and equipment (2022: RMB2,376,408,000 and RMB2,237,660,000).

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt	2023 RMB'000	2022 RMB'000
Cash and cash equivalents	**63,808,538**	55,221,624
Liquid investments (i)	**547**	498
Interest-bearing bank and other borrowings	**(68,564,486)**	(64,747,679)
Lease liabilities	**(5,217,366)**	(4,842,507)
Net debt	**(9,972,767)**	(14,368,064)

	Borrowings RMB'000	Leases RMB'000	Sub-total RMB'000	Cash RMB'000	Liquid investments (i) RMB'000	Total RMB'000
Net debt as at 1 January 2023	(64,747,679)	(4,842,507)	(69,590,186)	55,221,624	498	(14,368,064)
Cash flows,net	7,778,101	2,115,602	9,893,703	8,584,525	–	18,478,228
New leases	–	(2,833,459)	(2,833,459)	–	–	(2,833,459)
Business combination not under common control	(44,782)	(13,179)	(57,961)	–	–	(57,961)
Foreign exchange adjustments	–	–	–	2,389	–	2,389
Changes in fair values	–	–	–	–	49	49
Interest expense	(2,673,070)	(206,203)	(2,879,273)	–	–	(2,879,273)
Changes from non-cash activities	(8,877,056)	562,380	(8,314,676)	–	–	(8,314,676)
Net debt as at 31 December 2023	(68,564,486)	(5,217,366)	(73,781,852)	63,808,538	547	(9,972,767)

(i) Liquid investments comprise current investments that are traded in an active market, being the Group's financial assets held at fair value through profit or loss.

41. Notes to the consolidated statement of cash flows (continued)

(d) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023 RMB'000
Within operating activities	541,823
Within investing activities	52,272
Within financing activities	2,310,187
	2,904,282

42. Commitments

(a) Capital commitments

Capital expenditures at the end of the reporting period are as follows:

	2023 RMB'000	2022 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	41,149	27,978
Fund investment: (i)	75,000	75,000
Others	56,642	58,442
	172,791	161,420

(i) On 20 May 2021, the board of directors of the Company 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 2023, 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).

42. Commitments (continued)

(b) The Group has various lease contracts that have not yet commenced as at 31 December 2023. The future lease payments for these non-cancellable lease contracts are RMB45,016,000 (2022: RMB81,536,000) due within one year, RMB20,552,000 (2022: Nil) due in the first to second years, RMB14,171,000 (2022: RMB98,664,000) due in the second to third years, inclusive and RMB4,781,000 (2022: RMB105,776,000) due after three years.

43. Disposal of subsidiaries

During the year, the Group disposed of the entities below:

Sinopharm Holdings Siweite Pharmacy (Hubei) Co., Ltd.

Sinopharm Holdings Hunan Hengyang Midecal Instrument Co., Ltd.

Dalian Zhengda Pharmaceutical Co., Ltd.

Hunan Guoyao Medical Engineering Technology Co., Ltd.

Sinopharm (Guangdong) Medical Engineering Technology Co., Ltd.

Guoda Pharmacy (Chaoyang) Ren'ai Pharmacy Co., Ltd.

Guangzhou Yuanhong Midecal Instrument Co., Ltd.

Sinopharm Holding Hunan Zhongruikangda Medical Instrument 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	41,839
Trade and notes receivable	43,022
Contract assets	741
Prepayments, other receivables and other assets	47,418
Inventories	13,781
Property, plant and equipment	1,089
Righ-of-use assets	36
Intangible assets	46
Deferred tax assets	845
Trade and notes payable	8,214
Contract liabilities	(86,061)
Accruals and other payables	(1,910)
Lease liabilities	(6,075)
Deferred tax liabilities	(14)
Net assets	62,971
Non-controlling interests	(25,657)
Net assets attributable to the Company excluding goodwill	37,314
Goodwill	3,226
Gain on disposal of subsidiaries (Note 9)	(27,736)
Satisfied by:	
Cash	68,276

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	68,276
Cash and cash equivalents in the subsidiaries deemed disposed of	(41,839)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	26,437

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
Zhongkeqi Hubei Co., Ltd.	12.00%	30,664
Guiyang Medical Treatment Apparatus Factory	40.00%	44,282
Sinopharm Group Yunnan Co., Ltd.	5.00%	23,000
Sinopharm Shaoguan Co., Ltd.	21.00%	8,050
Sinopharm Chemical Reagent Holding Chongqing Co.,Ltd.	49.00%	2,450
Sinopharm Group Jilin Medical Instrument Co., Ltd.	19.00%	855
Guoyao Holding Jilin Medical Technology Development Co., Ltd.	19.00%	700
Sinopharm Holdings Liangshan Pharmaceutical Co., Ltd.	5.00%	250
		110,251

44. Transactions with non-controlling interests (continued)

(a) Acquisition of additional interests in subsidiaries (continued)

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	116,680
Consideration payable to non-controlling interests	110,251
Excess of consideration paid over the carrying amount acquired	(6,429)

(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 2023

	Effect on the total equity RMB'000
Changes in equity attributable to owners of the parent arising from:	
– Acquisition of additional interests in subsidiaries	(6,429)
Net effect for transactions with non-controlling interests on equity attributable to owners of the parent	(6,429)

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 Weikang Medical Technology (Shanghai) Co.,Ltd.	February,2023	60.00%
Sinopharm Medical Supply Chain Services (Fuzhou) Co., Ltd.	January,2023	50.00%

Businesses acquired from third parties	Month of acquisition
Guoyao Lerentang Baoding Pharmaceutical Co., Ltd. Guyao Store	November, 2023
Guoyao Lerentang Baoding Pharmaceutical Co., Ltd. Gucheng Pharmaceutical Store	November, 2023

The effect of the above acquisitions is summarised as follows:

	RMB'000
– Contingent consideration (i)	104,560
– Cash paid	66,027
Total purchase consideration	170,587

45. Business combinations (continued)

Business combinations not under common control (continued)

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	61,465
Property, plant and equipment (Note 18)	18,844
Intangible assets (Note 19)	74,948
– Sales network	73,500
– Others	1,448
Right-of-use assets (Note 16)	13,179
Deferred tax assets (Note 26)	770
Inventories	71,627
Other non-current assets	222
Trade and other receivables	418,906
Trade and other payables	(385,822)
Lease liabilities (Note 16)	(13,179)
Deferred tax liabilities (Note 26)	(18,375)
Interest-bearing bank and other borrowings	(44,782)
Total Identifiable net assets at fair value	197,803
Less: non-controlling interests (ii)	(87,609)
Goodwill (Note 19)	60,393
Total purchase consideration	170,587
Less: contingent consideration (i)	(104,560)
	66,027
Less: non-cash settled during the year	(2,737)
Cash consideration paid during the year	63,290
Cash and cash equivalents in subsidiaries acquired	(61,465)
Cash inflow on acquisition	1,825

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 RMB104,560,000.

Based on the projected profit performance of the acquirees, the fair value of the contingent consideration arrangement was estimated to be RMB104,560,000. As at 31 December 2023, 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 proportional share of acquired net identified 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 2023 are summarised as follows:

	From acquisition dates to 31 December 2023 RMB'000
Revenue	1,481,433
Net profit	40,115

(iv) The revenue and net profit of these newly acquired subsidiaries from 1 January 2023 to 31 December 2023 are summarised as follows:

	From 1 January 2023 to 31 December 2023 RMB'000
Revenue	1,544,128
Net profit	40,318

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, medical reserve funds, 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.

Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("Fosun Pharmaceutical") and Beijing Natong Technology Group Co., Ltd. ("Natong Group") are the non-controlling shareholders of the Group and its important subsidiaries respectively.

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 Pharmaceutical Group Co.,Ltd.	The ultimate holding company of the Company
Anhui Jingfang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Anhui Tianxiang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Beijing Institute of Biological Products Co., Ltd.	Controlled by CNPGC
Changchun Institute of Biological Products 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)	Controlled by CNPGC
China National Pharmaceutical Industry Co., Ltd.	Controlled by CNPGC
China Pharmaceutical Zhongyuan (Henan) Medical Insurance Co., Ltd.	Controlled by CNPGC
China State Institute of Pharmaceutical Industry	Controlled by CNPGC
China Traditional Chinese Medicine Holdings Co., Ltd.	Controlled by CNPGC

46. Significant related party transactions (continued)

Name of related party	Nature of relationship
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
Foshan Winteam Pharmaceutical Co., Ltd.	Controlled by CNPGC
Guizhou Tongjitang Pharmaceutical Co., Ltd.	Controlled by CNPGC
Lanzhou Biotechnology Development Co., Ltd.	Controlled by CNPGC
Lanzhou Institute of Biological Products Co., Ltd.	Controlled by CNPGC
Pingdingshan No.5 People's Hospital	Controlled by CNPGC
Shanghai GeneoDx Biotech Co., Ltd.	Controlled by CNPGC
Shanghai Institute of Bio-products Co., Ltd.	Controlled by CNPGC
Shanghai Institute of Pharmaceutical Industry	Controlled by CNPGC
Shanghai Techwell Biopharmaceutical Co., Ltd.	Controlled by CNPGC
Shydec Pharmaceutical Marketing Co., Ltd.	Controlled by CNPGC
Sinopac Puxin Commercial Factoring Co., Ltd.	Controlled by CNPGC
Sinopharm Datong Coal Mine Medical and Health Industry Co., Ltd.	Controlled by CNPGC
Sinopharm Foreign Trade (Hong Kong) Limited	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 Lanzhou Biologics Co., Ltd.	Controlled by CNPGC
Sinopharm Group Wuhan Biologics 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 Tongmei General Hospital	Controlled by CNPGC
Sinopharm Vanda Pharmaceutical 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

46. Significant related party transactions (continued)

Name of related party	Nature of relationship
Taiji Group Chongqing Tongjunge Medicine Wholesale Co., Ltd.	Controlled by CNPGC
Taiji Group Chongqing Tongjunge 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
Anhui Sinopharm Tianhong Health Industrial Development Co., Ltd.	Associate
East Hubei Medical Care Group 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 Raw Material For Medicine Medicine Co., Ltd.	Associate
Shanghai Pharmaceutical & Haemo-tech Investment Co., Ltd	Associate
Shenzhen Main Luck Pharmaceutical Co., Ltd.	Associate
Shenzhen Wan Wei Pharmaceutical Trade Co., Ltd.	Associate
Sichuan Yibin Wuliang Pharmaceutical Co., Ltd.	Associate
Sinopac Ronghui (Shanghai) Commercial Factoring Co., Ltd.	Associate
Sinopharm Group Zhijun (Suzhou) Pharmaceutical Co., Ltd.	Associate
Sinopharm Health Online Co., Ltd.	Associate
Sinopharm Holding (China) Finance Leasing Co., Ltd.	Associate
Sinopharm Jienuo Medical Service Co., Ltd.	Associate
Sinopharm Zhongbang Huangshi Pharmaceutical Co., Ltd.	Associate
Wuxi Huihua Pharmaceutical Chain Store Co., Ltd.	Associate
Yichang Humanwell 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
Chongqing Yaoyou Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Daiichi Sankyo PHARMACEUTICAL (Beijing) Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Foshan Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Hunan Dongting Pharmaceutical Co., Ltd.	Subsidiary of Fosun Pharmaceutical

46. Significant related party transactions (continued)

Name of related party	Nature of relationship
Jiangsu Fosun Pharmaceutical Sales Co., Ltd.	Subsidiary of Fosun Pharmaceutical
Jiangsu Wanbang Pharmaceutical Marketing Ltd.	Subsidiary of Fosun Pharmaceutical
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
Shanghai Henlius Biologics 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
Beijing Naton Medical Technology Co., Ltd.	Subsidiary of Natong Group
Beijing Weide Medical Instrument Co., Ltd.	Subsidiary of Natong Group
Beijing Weiliande Orthopedic Technology Co., Ltd.	Subsidiary of Natong Group
Sichuan Naton Medical Instrument Co., Ltd.	Subsidiary of Natong Group
Tianjin Weilian 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

	2023 RMB'000	2022 RMB'000
Sales of goods (i)		
Subsidiary of Natong Group	**4,874**	18,304
Ultimate holding company	**–**	24
Associates	**1,152,616**	972,133
Companies controlled by CNPGC	**1,989,576**	2,508,039
Associates of CNPGC	**2,694**	5,039
Subsidiary of Fosun Pharmaceutical	**372,829**	380,634
Purchases of goods (ii)		
Subsidiary of Natong Group	**437,739**	536,064
Associates	**5,037,725**	4,043,374
Companies controlled by CNPGC	**7,238,819**	6,428,951
Associates of CNPGC	**1,698,242**	1,689,384
Subsidiary of Fosun Pharmaceutical	**6,600,482**	5,843,937
Borrowings (iii)		
Ultimate holding company	**–**	(4,034,937)
Associates	**18,437**	(324,505)
Companies controlled by CNPGC	**569,421**	(568,601)
Interest fee paid for other financial services (iv)		
Ultimate holding company	**–**	62,794
Associates	**120,162**	5,989
Companies controlled by CNPGC	**447,930**	175,371
Bill receivable discount (v)		
Companies controlled by CNPGC	**1,216,057**	1,436,816
Trade receivable factoring (vi)		
Associates	**3,092,997**	3,991,575
Companies controlled by CNPGC	**6,434,411**	8,178,959

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:

	2023 RMB'000	2022 RMB'000
Sales of goods		
Wuxi Huihua Pharmaceutical Chain Store Co., Ltd.	**546,203**	441,856
Sinopharm Huazhong (Hubei) Medical Health Co., Ltd.	**329,171**	310,421
Xinxiang Central Hospital	**274,775**	291,033
Foshan Pharmaceutical Co., Ltd.	**169,781**	153,473
Sinopharm Datong Coal Mine Medical and Health Industry Co., Ltd.	**127,734**	104,147
Sinopharm Gezhouba (Yichang) Hospital Management Co., Ltd.	**127,174**	161,975
Sinopharm Zhongbang Huangshi Pharmaceutical Co., Ltd.	**124,887**	71,014
Sinopharm Holding (China) Finance Leasing Co., Ltd.	**113,372**	78,756
Beijing Institute of Biological Products Co., Ltd.	**104,846**	512,320
Sichuan Yibin Wuliang Pharmaceutical Co., Ltd.	**103,248**	108,905
Sinopharm Tongmei General Hospital	**93,510**	76,099
Shanghai Beiyi Guoda Raw Material For Medicine Medicine Co., Ltd.	**89,619**	94,871
Sinopharm North (Inner Mongolia) Medical and Health Industry Co., Ltd.	**77,416**	90,766
East Hubei Medical Care Group Co. Ltd	**75,572**	74,505
Wuhan Institute of Biological Products Co., Ltd.	**63,175**	164,644
Xinxiang City Second People's Hospital	**61,431**	73,952
Anhui Tianxiang Pharmaceutical Co., Ltd.	**60,243**	9
Lanzhou Institute of Biological Products Co., Ltd.	**51,344**	25,206

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:

	2023 RMB'000	2022 RMB'000
Purchases of goods		
Yichang Humanwell Pharmaceutical Co., Ltd.	**3,454,660**	3,563,593
Shanghai Henlius Biologics Co., Ltd.	**1,963,861**	1,113,193
Fresenius Kabi Huarui Pharmaceutical Co., Ltd.	**1,333,528**	1,359,093
Jiangsu Wanbang Pharmaceutical Marketing Ltd.	**1,016,991**	993,456
Lanzhou Biotechnology Development Co., Ltd.	**947,093**	924,544
Jiangsu Fosun Pharmaceutical Sales Co., Ltd.	**926,856**	866,408
Southwest Pharmaceutical Co., Ltd.	**903,969**	807,060
Chengdu Rongsheng Pharmaceuticals Co., Ltd.	**876,647**	691,546
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Company Ltd.	**609,189**	79,522
Chongqing Yaoyou Pharmaceutical Co., Ltd.	**554,554**	565,284
Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.	**507,646**	1,028,686
Chongqing Southwest Pharmaceutical Sales Co., Ltd.	**469,342**	405,653
Sinopharm Group Zhijun (Shenzhen) Pharmaceutical Co., Ltd.	**438,502**	385,280
Shenzhen Main Luck Pharmaceutical Co., Ltd.	**274,878**	277,533
Taiji Group Chongqing Fuling Pharmaceutical Factory Co., Ltd.	**266,672**	282,507
Foshan Winteam Pharmaceutical Co., Ltd.	**266,293**	199,465
China Otsuka Pharmaceutical Co., Ltd.	**258,890**	283,016
Guizhou Tongjitang Pharmaceutical Co., Ltd.	**239,174**	192,977
Shydec Pharmaceutical Marketing Co., Ltd.	**217,270**	329,916
Sinopharm Rongsheng Pharmaceutical Co., Ltd.	**194,821**	204,724
Taiji Group Chongqing Tongjunge Pharmaceutical Co., Ltd.	**193,704**	171,041
China National Pharmaceutical Industry Co., Ltd.	**193,698**	180,048
Shanghai Zhaohui Pharmaceutical Co., Ltd.	**176,653**	140,104
Hunan Dongting Pharmaceutical Co., Ltd.	**171,306**	238,967
Jinzhou Aohong Pharmaceuticals Co., Ltd.	**164,760**	157,533
Beijing Naton Medical Technology Co., Ltd.	**163,178**	330,117
Shandong Skyway Pharmaceutical Sales Co., Ltd.	**135,779**	89,765
Sinopharm Group Wuhan Biologics Co., Ltd.	**130,174**	137,183
Daiichi Sankyo PHARMACEUTICAL (Beijing) Co., Ltd.	**123,792**	47,350
Chongqing Taiji Industry (Group) Co., Ltd.	**119,173**	41,015

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)

	2023 RMB'000	2022 RMB'000
Sinopharm Vanda Pharmaceutical Co., Ltd.	**94,696**	165,084
Sinopharm Group Lanzhou Biologics Co., Ltd.	**92,207**	40,738
Sinopharm Holding A-Think Pharmaceutical Co., Ltd.	**83,883**	119,424
Chengdu Institute of Biological Products	**74,370**	104,838
Tianjin Weilian Medical Instrument Co., Ltd.	**72,591**	45,410
Jiangxi Erye Pharmaceutical Marketing Co., Ltd	**71,075**	96,448
Sinopharm Group Zhijun (Shenzhen) Pingshan Pharmaceutical Co., Ltd.	**70,810**	72,955
Anhui Jingfang Pharmaceutical Co., Ltd.	**64,471**	65,100
Tibet Yaopharma Pharmaceutical Co., Ltd.	**62,817**	102,645
Shenzhen Wan Wei Pharmaceutical Trade Co., Ltd.	**52,950**	86,770
China National Pharmaceutical Foreign Trade Co., Ltd.	**52,418**	73,035
Beijing Weide Medical Instrument Co., Ltd.	**51,269**	7,165

(iii) Borrowings from related parties were listed as follows:

	2023 RMB'000	2022 RMB'000
Borrowings		
Sinopharm Group Finance Co., Ltd.	**523,926**	(606,387)
Sinopac Puxin Commercial Factoring Co., Ltd.	**45,495**	37,786
Sinopac Ronghui (Shanghai) Commercial Factoring Co., Ltd.	**18,437**	(316,932)
China Pharmaceutical Group Co.,ltd.	**–**	(4,034,937)
Sinopharm Holding (China) Finance Leasing Co., Ltd.	**–**	(7,573)

46. Significant related party transactions (continued)

(a) Significant transactions with related parties except for other PRC government-related entities (continued)

(iv) Interest fees paid to related parties were listed as follows:

	2023 RMB'000	2022 RMB'000
Interest fees		
Sinopharm Group Finance Co., Ltd.	351,061	173,080
Sinopac Puxin Commercial Factoring Co., Ltd.	96,870	2,291
Sinopac Ronghui (Shanghai) Commercial Factoring Co., Ltd.	95,770	5,984
Sinopharm Holding (China) Finance Leasing Co., Ltd.	24,392	5
China National Pharmaceutical Group Co., Ltd.	–	62,794

(v) Bill receivable discount to a related party was listed as follows:

	2023 RMB'000	2022 RMB'000
Bill receivable discount		
Sinopharm Group Finance Co., Ltd.	1,216,057	1,436,816

(vi) Trade receivable factoring to the related party was listed as follows:

	2023 RMB'000	2022 RMB'000
Trade receivable factoring		
Sinopac Puxin Commercial Factoring Co., Ltd.	3,301,265	3,279,900
Sinopharm Group Finance Co., Ltd.	3,133,147	4,899,059
Sinopac Ronghui (Shanghai) Commercial Factoring Co., Ltd.	2,634,594	3,171,628
Sinopharm Holding (China) Finance Leasing Co., Ltd.	458,403	611,444
Sinopharm Group Commercial Factoring Co. Ltd.	–	208,503

46. Significant related party transactions (continued)

(a) Significant transactions with related parties except for other PRC government-related entities (continued)

(vi) Trade receivable factoring to the related party was listed as follows: (continued)

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

	2023 RMB'000	2022 RMB'000
Salaries and other short-term employee benefits	22,823	22,557

(c) Significant balances with related parties except for other PRC government-related entities

	2023 RMB'000	2022 RMB'000
Cash in other financial institution (i)		
Companies controlled by CNPGC	2,386,937	2,342,575
Trade and notes receivable due from (ii)		
Subsidiary of Natong Group	536	1,533
Associates	198,148	202,179
Companies controlled by CNPGC	1,246,588	1,406,052
Associates of CNPGC	1,303	138
Subsidiary of Fosun Pharmaceutical	73,114	84,899
Other receivables due from (iii)		
Subsidiary of Natong Group	1,680	1,920
Associates	53,705	54,793
Companies controlled by CNPGC	36,812	56,902
Associates of CNPGC	489	465
Subsidiary of Fosun Pharmaceutical	11,589	3,220

46. Significant related party transactions (continued)

(c) Significant balances with related parties except for other PRC government-related entities (continued)

	2023 RMB'000	2022 RMB'000
Prepayments to (iv)		
Subsidiary of Natong Group	**1**	1,789
Associates	**3,698**	15,332
Companies controlled by CNPGC	**140,737**	425,856
Associates of CNPGC	**12,544**	13,156
Subsidiary of Fosun Pharmaceutical	**78,104**	69,850
Trade and notes payable due to (v)		
Subsidiary of Natong Group	**90,911**	258,207
Associates	**1,433,193**	1,273,840
Companies controlled by CNPGC	**1,178,525**	1,678,660
Associates of CNPGC	**119,963**	91,029
Subsidiary of Fosun Pharmaceutical	**1,144,776**	1,216,560
Other payables due to (vi)		
Ultimate holding company	**3,866**	4,094
Subsidiary of Natong Group	**642**	622
Associates	**441,182**	616,365
Companies controlled by CNPGC	**1,302,172**	487,071
Associates of CNPGC	**731**	875
Subsidiary of Fosun Pharmaceutical	**2,010**	1,251
Contract liabilities (vii)		
Subsidiary of Natong Group	**40**	52
Associates	**2,536**	1,820
Companies controlled by CNPGC	**108,438**	109,575
Associates of CNPGC	**2**	8
Subsidiary of Fosun Pharmaceutical	**93**	795

46. Significant related party transactions (continued)

(c) Significant balances with related parties except for other PRC government-related entities (continued)

	2023 RMB'000	2022 RMB'000
Borrowing due to (viii)		
Associates	**53,924**	34,758
Companies controlled by CNPGC	**6,561,928**	5,705,581
Other non-current liabilities (ix)		
Ultimate holding company	**1,090,461**	1,278,805
Companies controlled by CNPGC	**24,645**	39,519

(i) Significant balance of cash in other financial institution with related parties was listed as follows:

	2023 RMB'000	2022 RMB'000
Cash in other financial institution		
Sinopharm Group Finance Co., Ltd.	**2,386,937**	2,342,575

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 notes receivable due from related parties were listed as follows:

	2023 RMB'000	2022 RMB'000
Trade and notes receivable due from		
Sinopharm Huazhong (Hubei) Medical Health Co., Ltd.	301,864	284,987
Xinxiang Central Hospital	198,419	267,432
Beijing Institute of Biological Products Co., Ltd.	153,938	205,776
Sinopharm Gezhouba (Yichang) Hospital Management Co., Ltd.	129,879	168,164
Sinopac Puxin Commercial Factoring Co., Ltd.	88,514	116,201
Sinopharm Datong Coal Mine Medical and Health Industry Co., Ltd.	79,957	95,902
Sinopharm Zhongbang Huangshi Pharmaceutical Co., Ltd.	71,498	63,944
East Hubei Medical Care Group Co. Ltd	65,672	65,614
Sinopharm Tongmei General Hospital	60,149	75,033
Wuxi Huihua Pharmaceutical Chain Store Co., Ltd.	38,957	46,936
Sinopharm North (Inner Mongolia) Medical and Health Industry Co., Ltd.	36,158	75,734
Chongqing Southwest Aluminum Hospital	35,321	27,805
Anhui Tianxiang Pharmaceutical Co., Ltd.	32,035	1
Wuhan Institute of Biological Products Co., Ltd.	31,563	40,918
China Pharmaceutical Zhongyuan (Henan) Medical Insurance Co., Ltd.	23,877	24,180
Sinopharm Harbin Hospital Management Co., Ltd.	17,352	3,688
Wenzhou Geriatric Hospital Co., Ltd.	17,084	17,284
Pingdingshan No.5 People's Hospital	15,200	11,115

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:

	2023 RMB'000	2022 RMB'000
Other receivables due from		
Sinopharm Group Zhijun (Suzhou) Pharmaceutical Co., Ltd.	**35,214**	35,214
China National Pharmaceutical Group Sanyi Pharmaceutical (Wuhu)	**23,030**	23,030
Sinopharm Holding (China) Finance Leasing Co., Ltd.	**7,854**	8,790
Jienuo Shijiazhuang Medical Disinfection Supply Center Co., Ltd.	**6,372**	6,372
Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.	**5,062**	–
Shanghai Henlius Biologics Co., Ltd.	**3,564**	163
Guoling JINDA Medical Technology (Shanghai) Co., Ltd.	**2,567**	993
Taiji Group Chongqing Fuling Pharmaceutical Factory Co., Ltd.	**1,855**	3,855
China National Pharmaceutical Foreign Trade Co., Ltd.	**1,628**	1,263
Chongqing Taiji Industry (Group) Co., Ltd.	**1,400**	400
Tai Chi Group Co., Ltd.	**1,300**	1,500
Foshan Winteam Pharmaceutical Co., Ltd.	**1,243**	602
Jiangsu Wanbang Pharmaceutical Marketing Ltd.	**1,114**	844
Shanghai Institute of Bio-products Co., Ltd.	**964**	535
Tianjin Weilian Medical Instrument Co., Ltd.	**754**	–
Taiji Group Chongqing Tongjunge Medicine Wholesale Co., Ltd.	**650**	500
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Company Ltd.	**631**	646
Jiangsu Fosun Pharmaceutical Sales Co., Ltd.	**591**	36

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: (continued)

	2023 RMB'000	2022 RMB'000
Other receivables due from		
Sinopharm Tongmei General Hospital	558	–
Daiichi Sankyo PHARMACEUTICAL (Beijing) Co., Ltd.	555	–
Shanghai GeneoDx Biotech Co., Ltd.	515	–

(iv) Significant balances of prepayments to related parties were listed as follows:

	2023 RMB'000	2022 RMB'000
Prepayments to		
Southwest Pharmaceutical Co., Ltd.	55,816	60,966
Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.	35,829	8,321
Chengdu Rongsheng Pharmaceuticals Co., Ltd.	24,381	115,991
Shanghai zhaohui Pharmaceutical Co., Ltd.	18,528	6,455
Fresenius Kabi Huarui Pharmaceutical Co., Ltd.	11,882	10,399
Taiji Group Chongqing Fuling Pharmaceutical Factory Co., Ltd.	10,847	50,488
Sinopharm Group Zhijun (Shenzhen) Pharmaceutical Co., Ltd.	8,854	4,903
Chongqing Yaoyou Pharmaceutical Co., Ltd.	7,619	19,677
Taiji Group Chongqing Tongjunge Pharmaceutical Co.,Ltd.	6,131	14,739
Shandong Skyway Pharmaceutical Sales Co., Ltd.	6,010	3,585
Sinopharm Rongsheng Pharmaceutical Co., Ltd.	4,918	17,994

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 notes payable due to related parties were listed as follows:

	2023 RMB'000	2022 RMB'000
Trade and notes payable due to		
Yichang Humanwell Pharmaceutical Co., Ltd.	**502,323**	342,694
Shanghai Henlius Biologics Co., Ltd.	**222,646**	127,824
Lanzhou Biotechnology Development Co., Ltd.	**153,224**	151,906
Jiangsu Wanbang Pharmaceutical Marketing Ltd.	**136,838**	125,727
Jiangsu Fosun Pharmaceutical Sales Co., Ltd.	**134,204**	72,173
Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.	**133,294**	289,419
Shenzhen Main Luck Pharmaceutical Co., Ltd.	**80,848**	56,898
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Company Ltd.	**77,111**	15,172
Fresenius Kabi Huarui Pharmaceutical Co., Ltd.	**73,569**	48,838
Foshan Winteam Pharmaceutical Co., Ltd.	**54,877**	35,269
Guizhou Tongjitang Pharmaceutical Co., Ltd.	**53,857**	39,561
Southwest Pharmaceutical Co., Ltd.	**50,371**	73,094
Sinopharm Group Zhijun (Shenzhen) Pharmaceutical Co., Ltd.	**47,553**	32,084
Chongqing Yaoyou Pharmaceutical Co., Ltd.	**38,550**	53,036
Sinopharm Vanda Pharmaceutical Co., Ltd.	**35,067**	70,017
Jinzhou Aohong Pharmaceuticals Co., Ltd.	**34,742**	31,218
China Otsuka Pharmaceutical Co., Ltd.	**31,659**	22,111
Daiichi Sankyo PHARMACEUTICAL (Beijing) Co., Ltd.	**28,399**	16,649
China National Pharmaceutical Industry Co., Ltd.	**25,901**	15,675
Beijing Weiliande Orthopedic Technology Co., Ltd.	**24,524**	55,522
Tibet Yaopharma Pharmaceutical Co., Ltd.	**18,250**	17,512
Tianjin Weilian Medical Instrument Co., Ltd.	**18,039**	–
Hunan Dongting Pharmaceutical Co., Ltd.	**15,337**	26,383
Shenzhen Wan Wei Pharmaceutical Trade Co., Ltd.	**14,426**	19,896
Beijing Naton Medical Technology Co., Ltd.	**13,662**	144,537

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 notes payable due to related parties were listed as follows: (continued)

	2023 RMB'000	2022 RMB'000
Taiji Group Chongqing Tongjunge Pharmaceutical Co., Ltd.	**12,962**	20,273
Sinopharm Datong Coal Mine Medical and Health Industry Co., Ltd.	**12,908**	–
Anhui Jingfang Pharmaceutical Co., Ltd.	**11,486**	12,822
Sinopharm Group Zhijun (Shenzhen) Pingshan Pharmaceutical Co., Ltd.	**8,955**	15,803
Shydec Pharmaceutical Marketing Co., Ltd.	**8,284**	18,833
Shandong Skyway Pharmaceutical Sales Co., Ltd.	**8,257**	4,828
Shanghai Zhaohui Pharmaceutical Co., Ltd.	**8,167**	16,443
Sinopharm Jienuo Medical Service Co., Ltd.	**7,970**	132
Sichuan Naton Medical Instrument Co., Ltd.	**7,244**	4,164
Taiji Group Chongqing Fuling Pharmaceutical Factory Co., Ltd.	**7,235**	19,727
Shanghai Pharmaceutical &Haemo-tech Investment Co., Ltd	**6,872**	4,610
Sinopharm Huazhong (Hubei) Medical Health Co., Ltd.	**6,676**	–
Beijing Weide Medical Instrument Co., Ltd.	**6,444**	–
Sinopharm Group Xinjiang Pharmaceutical Co., Ltd.	**6,069**	6,400
Wuhan Zhongsheng Yujin Biological Medicine Co., Ltd	**5,527**	7,777
China National Pharmaceutical Group Shanxi Rfl Pharmaceutical Co., Ltd.	**5,116**	5,745

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:

	2023 RMB'000	2022 RMB'000
Other payables due to		
Sinopharm Group Finance Co., Ltd.	**731,724**	288,864
Sinopac Puxin Commercial Factoring Co., Ltd.	**531,291**	164,363
Sinopac Ronghui (Shanghai) Commercial Factoring Co., Ltd.	**399,012**	495,134
Sinopharm Holding (China) Finance Leasing Co., Ltd.	**28,157**	43,348
Shanghai Institute of Bio-products Co., Ltd.	**14,201**	–
Sinopharm Health Online Co., Ltd.	**5,841**	21,100
Anhui Sinopharm Tianhong Health Industrial Delevopment Co., Ltd.	**5,000**	18,000
Chongqing China Medicine Group United Engineering Company	**3,885**	7,585
China National Pharmaceutical Group Co., Ltd.	**3,866**	4,094
Sinopharm Datong Coal Mine Medical and Health Industry Co., Ltd.	**3,044**	5,017
Chongqing Southwest Aluminum Hospital	**2,984**	558
Sinopharm Huazhong (Hubei) Medical Health Co., Ltd.	**2,762**	2,294
Sinopharm North (Inner Mongolia) Medical and Health Industry Co., Ltd.	**2,115**	92
China National Corp. of Traditional and Herbal Medicine	**2,000**	2,000
Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.	**1,369**	–
Sinopharm Harbin Hospital Management Co., Ltd.	**1,259**	1,090
Guoling JINDA Medical Technology (Shanghai) Co., Ltd.	**1,062**	772
China State Institute of Pharmaceutical Industry	**1,000**	1,000

46. Significant related party transactions (continued)

(c) Significant balances with related parties except for other PRC government-related entities (continued)

(vii) Significant balance of contract liabilities with related parties was listed as follows:

	2023 RMB'000	2022 RMB'000
Contract liabilities		
China National Corp. of Traditional and Herbal Medicine	**20,980**	–
Shanghai Institute of Bio-products Co., Ltd.	**18,351**	15,022
Shanghai Institute of Pharmaceutical Industry	**18,166**	6,043
Sinopharm Foreign Trade (Hong Kong) Limited	**16,786**	–
Anhui Tianxiang Pharmaceutical Co., Ltd.	**11,249**	–
Chengdu Rongsheng Pharmaceuticals Co., Ltd.	**6,442**	825
Wuhan Institute of Biological Products Co., Ltd.	**5,152**	8,456
China National Pharmaceutical Foreign Trade Co., Ltd.	**2,787**	11,429
Changchun Institute of Biological Products Co., Ltd.	**2,374**	–
Changhcun Keygen Biological Products Co., Ltd.	**1,628**	1,628
Shanghai Techwell Biopharmaceutical Co., Ltd.	**1,592**	628
Lanzhou Institute of Biological Products Co., Ltd.	**1,533**	18,062

(viii) Significant balances of borrowings due to related parties were listed as follows:

	2023 RMB'000	2022 RMB'000
Borrowings due to		
Sinopharm Group Finance Co., Ltd.	**6,478,629**	5,667,644
Sinopac Puxin Commercial Factoring Co., Ltd.	**83,299**	37,937
Sinopac Ronghui (Shanghai) Commercial Factoring Co., Ltd.	**53,924**	35,487

Borrowings from the above related parties bear interest at rates from 2.60% to 7.20% (2022: from 2.45% to 7.50%). The borrowings from related parties have repayment terms within 1 year.

46. Significant related party transactions (continued)

(c) Significant balances with related parties except for other PRC government-related entities (continued)

(ix) Significant balances of other non-current liabilities with related parties were listed as follows:

	2023 RMB'000	2022 RMB'000
Other non-current liabilities		
China National Pharmaceutical Group Co., Ltd.	**1,090,461**	1,278,805
Beijing Institute of Biological Products Co., Ltd.	**22,200**	22,200
China National Corp. of Traditional and Herbal Medicine	**2,446**	2,446
Shanghai Institute of Bio-products Co., Ltd.	**–**	14,201
Sinopharm Datong Coal Mine Medical and Health Industry Co., Ltd.	**–**	672

47. Principal subsidiaries

As at 31 December 2023, 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	105,000	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
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
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

47. Principal subsidiaries (continued)

As at 31 December 2023, particulars of the Company's principal subsidiaries are as follows: (continued)

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 %	
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	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)

As at 31 December 2023, particulars of the Company's principal subsidiaries are as follows: (continued)

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 %	
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	95	–	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	55,657	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, 17 August 2015	430,000	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	–	Distribution of pharmaceutical and healthcare products in the PRC
Sinopharm Lingyun Biopharmaceutical (Shanghai)Co., Ltd.* (國藥控股凌雲生物醫藥(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

47. Principal subsidiaries (continued)

As at 31 December 2023, particulars of the Company's principal subsidiaries are as follows: (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 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
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

47. Principal subsidiaries (continued)

As at 31 December 2023, particulars of the Company's principal subsidiaries are as follows: (continued)

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 %	
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	231,500	100	–	Health consultation, medical consulting, market information consulting and investigation and convention and exhibition services
Shanghai Meiluo Medical Co., Ltd.* (上海美羅醫藥有限公司)	PRC, 27 May 2002	9,3000	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	500,000	90	–	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

47. Principal subsidiaries (continued)

As at 31 December 2023, particulars of the Company's principal subsidiaries are as follows: (continued)

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 %	
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
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 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
Sinopharm Logistics Management Co., Ltd.* (國藥物流管理有限公司)	PRC, 28 July 2023	290,000	100	–	Provision of pharmaceutical logistics 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

	2023 **RMB'000**	2022 RMB'000
ASSETS		
Non-current assets		
Investment properties	**1,014,424**	1,026,212
Property, plant and equipment	**885,788**	918,314
Intangible assets	**33,290**	24,580
Investments in subsidiaries	**30,549,762**	30,215,095
Investment in a joint venture	**21,793**	19,165
Investments in associates	**2,991,351**	2,902,563
Financial assets at fair value through profit or loss	**546,963**	549,750
Deferred tax assets	**168,967**	57,616
Total non-current assets	**36,212,338**	35,713,295
Current assets		
Inventories	**1,127,039**	1,265,630
Trade and notes receivable	**4,353,330**	3,443,283
Prepayments, other receivables and other assets	**28,214,220**	31,143,940
Cash and cash equivalents	**32,833,983**	28,460,671
Contract assets	**631**	611
Total current assets	**66,529,203**	64,314,135
Total assets	**102,741,541**	100,027,430

48. Statement of financial position and movements in reserves of the Company (continued)

Statement of financial position of the Company (continued)

	2023 RMB'000	2022 RMB'000
EQUITY		
Share capital	**3,120,656**	3,120,656
Treasury shares held for share incentive scheme	**(3,838)**	(3,838)
Reserves	**30,485,991**	29,374,187
Total equity	**33,602,809**	32,491,005
Liabilities		
Non-current liabilities		
Interest-bearing bank and other borrowings	**10,065,693**	10,497,052
Post-employment benefit obligations	**2,729**	–
Other non-current liabilities	**1,090,554**	1,278,906
Total non-current liabilities	**11,158,976**	11,775,958
Current liabilities		
Interest-bearing bank and other borrowings	**6,366,611**	10,110,599
Trade and notes payable	**4,703,367**	4,011,602
Contract liabilities	**20,311**	36,996
Tax payable	**12,741**	2,884
Accruals and other payables	**46,876,726**	41,598,386
Total current liabilities	**57,979,756**	55,760,467
Total liabilities	**69,138,732**	67,536,425
Total equity and liabilities	**102,741,541**	100,027,430

The financial statements were approved by the Board of Directors on 22 March 2024 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 2022	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**
Profit for the year	**–**	**–**	**–**	**–**	**3,667,685**	**3,667,685**
Share of other comprehensive income of associates	**–**	**–**	**–**	**2,565**	**–**	**2,565**
Remeasurement on post-employment benefit obligations						
– gross	**–**	**–**	**–**	**579**	**(58)**	**521**
– tax	**–**	**–**	**–**	**(145)**	**15**	**(130)**
)Dividend on shares released from the share incentive scheme	**–**	**–**	**–**	**–**	**–**	**–**
Dividends declared	**–**	**–**	**–**	**–**	**(2,558,837)**	**(2,558,837)**
Share of changes in equity other than comprehensive income and distributions received from associates	**–**	**–**	**–**	**–**	**–**	**–**
As at 31 December 2023	**24,630,310**	**1,786,971**	**7,404**	**15,593**	**4,045,713**	**30,485,991**

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

2023	Salaries RMB'000	Discretionary bonuses RMB'000	Estimated value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000
Executive directors				
Mr. Yu Qingming	2,290	4,234	–	211
Mr. Liu Yong	2,180	4,122	–	202
Independent non-executive directors				
Mr. Zhuo Fumin (i)	161	–	–	–
Mr. Shi Shenghao (ii)	191	–	–	–
Mr. Chen Fangruo	350	–	–	–
Mr. Li Peiyu	350	–	–	–
Mr. Wu Tak Lung	350	–	–	–
Mr. Yu Weifeng	350	–	–	–
Non-executive directors				
Mr. Chen Qiyu	–	–	–	–
Mr. Hu Jianwei	–	–	–	–
Mr. Deng Jindong	–	–	–	–
Mr. Wang Kan	–	–	–	–
Mr. Wang Peng	–	–	–	–
Mr. Wen Deyong	–	–	–	–
Mr. Li Dongjiu	–	–	–	–
Ms. Feng Rongli	–	–	–	–
Mr. Ma Ping	–	–	–	–
Supervisors				
Ms. Guan Xiaohui	–	–	–	–
Mr. Guo Jinhong	–	–	–	–
Mr. Liu Zhengdong	350	–	–	–
Mr. Liu Hongbing	1,220	1,926	42	211
Ms. Lu Haiqing	501	300	38	198
	8,293	10,582	80	822

49. Directors', supervisors' and chief executives' remuneration (continued)

(a) Directors', supervisors' and chief executives' remuneration (continued)

2022	Salaries RMB'000	Discretionary bonuses RMB'000	Estimated value of other benefits 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. Zhuo Fumin	350	–	–	–
Mr. Chen Fangruo	350	–	–	–
Mr. Li Peiyu	350	–	–	–
Mr. Wu Tak Lung	350	–	–	–
Mr. Yu Weifeng	350	–	–	–
Non-executive directors				
Mr. Chen Qiyu	–	–	–	–
Mr. Hu Jianwei	–	–	–	–
Mr. Ma Ping	–	–	–	–
Mr. Deng Jindong	–	–	–	–
Mr. Wang Kan	–	–	–	–
Mr. Wen Deyong	–	–	–	–
Mr. Li Dongjiu	–	–	–	–
Ms. Feng Rongli	–	–	–	–
Supervisors				
Ms. Guan Xiaohui	–	–	–	–
Mr. Wang Peng	–	–	–	–
Mr. Liu Zhengdong	350	–	–	–
Mr. Liu Hongbing (iii)	606	669	–	103
Ms. Lu Haiqing	427	518	–	184
Mr. Zhang Hongyu (iv)	602	896	–	93
	7,999	10,195	–	770

(i) Resigned on 15 June, 2023

(ii) Appointed on 15 June 2023

(iii) Appointed on 17 June 2022

(iv) Resigned on 17 June, 2022

49. Directors', supervisors' and chief executives' remuneration (continued)

(b) Except for the contribution to a retirement benefit scheme, no other retirement benefits were paid to any director and supervisor during the year ended 31 December 2023.

(c) No termination benefits were paid to any director and supervisor during the year ended 31 December 2023.

(d) No consideration paid to third parties for directors' services during the year ended 31 December 2023.

(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 22 March 2024.

52. Other accounting policies

52.1 Foreign currency translation

(a) 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.

52. Other accounting policies (continued)

52.1 Foreign currency translation (continued)

(b) 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 nonmonetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i. e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

(c) 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:

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

(ii) 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

(iii) 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.

52. Other accounting policies (continued)

52.2 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.

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.

52.3 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.

52. Other accounting policies (continued)

52.4 Leases

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 nonlease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases. 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.

52.5 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.

52.6 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.

52.7 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.

52. Other accounting policies (continued)

52.8 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.

52.9 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.

52.10 Other employee benefits

(a) Pension scheme

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme, which is a defined contribution plan operated by the local municipal government. This subsidiary is required to make contributions of 12% to 20% (2022: 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'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 Group did not have any forfeited contribution for reporting period in connection with the defined contribution plan operated by local governments.

52. Other accounting policies (continued)

52.10 Other employee benefits (continued)

(b) 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.

(c) 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.

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

52. Other accounting policies (continued)

52.11 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 recognized 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.

52.12 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.

52.13 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.

52. Other accounting policies (continued)

52.14 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

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