FOSUN PHARMA

Together We Thrive

ANNUAL REPORT 2023

上海復星醫藥(集團)股份有限公司

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

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

Stock Code: 02196

*For identification purposes only

Our Vision

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

Our Mission

Better health for families worldwide.

Contents

Corporate Information

DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

SUPERVISORS

Ms. Ren Qian (任倩) *(Chairman)*
Mr. Guan Yimin (管一民)
Mr. Chen Bing (陳冰)[1]
Mr. Cao Genxing (曹根興)[2]

JOINT COMPANY SECRETARIES

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

AUTHORIZED REPRESENTATIVES

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

STRATEGIC COMMITTEE

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION AND APPRAISAL COMMITTEE

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Yu Tze Shan Hailson (余梓山) *(Chairman)*
Ms. Li Ling (李玲)
Mr. Wang Quandi (王全弟)[3]
Mr. Wu Yifang (吳以芳)
Ms. Guan Xiaohui (關曉暉)[3]

[1] appointed on 28 June 2023.
[2] resigned with effect from 28 June 2023.
[3] appointed on 30 October 2023.

Corporate Information

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

LEGAL ADVISERS IN HONG KONG

Reed Smith Richards Butler LLP

LEGAL ADVISERS IN THE PRC

Grandall Law Firm (Shanghai)

AUDITORS

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

PRINCIPAL BANKS

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

CORPORATE NAME

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

STOCK ABBREVIATION

FOSUN PHARMA

SHARE LISTING

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

A SHARE REGISTRAR AND TRANSFER OFFICE IN THE PRC

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

H SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

CORPORATE WEBSITE

http://www.fosunpharma.com

* for identification purposes only

Financial Highlights

	2023 RMB million	2022 RMB million
Operating results		
Revenue	**41,249**	43,811
Gross profit	**19,653**	20,642
Operating profit	**1,100**	3,253
Profit before tax	**3,277**	4,581
Profit for the year attributable to owners of the parent	**2,399**	3,737
Profitability		
Gross margin	**47.64%**	47.12%
Net profit margin	**7.05%**	9.02%
Earnings per share (RMB Yuan)		
Earnings per share — basic	**0.90**	1.43
Earnings per share — diluted	**0.90**	1.43
Assets		
Total assets	**113,431**	107,113
Equity attributable to owners of the parent	**45,646**	44,532
Total liabilities	**56,853**	53,055
Cash and bank balances	**13,694**	16,241
Debt-to-asset ratio	**50.12%**	49.53%
Of which: Pharmaceutical manufacturing segment		
Revenue	**30,080**	30,693
Gross profit	**15,990**	16,853
Segment results	**2,134**	3,795
Segment profit for the year	**1,974**	3,419

Chairman's Statement

Dear Shareholders,

At present, the pharmaceutical manufacturing industry in the PRC is at the stage of fasten transition. Our nation strongly supports innovation guided by clinical value. The pace of the launch of new drugs has accelerated and the R&D of local pharmaceutical enterprises has also been accelerating the transformation towards differentiation and globalization. The innovation capabilities of local pharmaceutical enterprises are increasingly recognized by global pharmaceutical enterprises, and licenses-out transactions are becoming more frequent with transaction values repeatedly reaching new highs. As bulk purchases of medicine become normal, the revenue and profit margin of generic drugs continued to decline. In respect of medical devices, high-value medical consumables continue to face pressure from centralized procurement, but innovative devices are still strongly encouraged and supported by the nation. The demand for high-quality medical device products from end users continues to upgrade, while domestic substitution and new medical infrastructure drive long-term market expansion in the future. In respect of healthcare services, private healthcare serves as a strong supplement to the public healthcare system. With the rise of consumer healthcare, the organic integration of healthcare, insurance and digital technology will become the mainstream trend in the industry. The demand for innovation capability in the domestic pharmaceutical and health industry is further increasing with rising costs in R&D, production and human resources. Meanwhile, it is also facing competition from multinational enterprises presented with both tough challenges and opportunities.

Mr. Wu Yifang
Chairman

Chairman's Statement

During the Reporting Period, adhering to its business philosophy of "Innovation for Good Health", the Group continued to promote innovation and transformation, steadily carried out international layout, enhanced business focus by product lines, and promoted the integrated operation and efficiency improvement. Meanwhile, the Group continued to adhere to the social responsibility concept of "pursuing sustainable development of talents and products" and actively fulfilled corporate social responsibilities. Under the leadership of the Board, the Group continued to improve the ESG management system, enhance ESG management capabilities and promote the long-term sustainable development of the Group.

2023 REVIEW

Under the guidance of the "4IN" strategy (Innovation, Internationalization, Intelligentization and Integration), the Group persisted in the development pattern of "innovation and transformation, integrated operation and steady development" and the mission of creating value for the shareholders, and continued to enhance self-R&D capacity and external cooperation, enrich its product pipelines, strengthen its international layout and improve its operating and asset efficiency, while actively advancing business focus.

During the Reporting Period, the revenue of the Group amounted to RMB41,249 million, representing a decrease of 5.85% as compared to the same period of last year. The year-on-year change was mainly due to the significant year-on-year decline in revenue from COVID-related products, including Comirnaty (mRNA COVID-19 vaccine), Jie Bei An (azvudine tablets), COVID-19 antigen and nucleic acid test kits, as the COVID-19 no longer constituted a "Public Health Emergency of International Concern". Excluding COVID-related products, the revenue of the Group during the Reporting Period recorded a year-on-year increase of approximately 12.43%. In particular: in respect of the pharmaceutical manufacturing segment, the revenue from key products such as Han Si Zhuang (serplulimab injection), trastuzumab injection (trade name in Chinese mainland: Han Qu You) and Su Ke Xin (avatrombopag maleate tablets) maintained rapid growth. In respect of the medical devices segment, the market demand of non-invasive ventilators for medical and home use (including Clearway 2 and others) in Europe and America recorded recovery growth. During the Reporting Period, the Group's net profit attributable to shareholders of the listed company amounted to RMB2,399 million.

During the Reporting Period, the total R&D expenditure of the Group amounted to RMB5,937 million, representing a year-on-year increase of 0.88%. In particular, R&D expenses amounted to RMB4,346 million, representing a year-on-year increase of 1.02%.

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

In 2023, a total of 6 innovative drugs with a total of 8 indications of the Group were approved for launch. In particular, Han Si Zhuang (serplulimab injection), the first self-developed biopharmaceutical innovative drug of the Group, had been approved for two new indications for extensive-stage small cell lung cancer (ES-SCLC) and esophageal squamous cell carcinoma (ESCC) in Chinese mainland and became the world's first monoclonal antibody drug targeting PD-1 approved for the first-line treatment of extensive-stage small cell lung cancer (ES-SCLC). In addition, serplulimab injection (PD-1 inhibitor) had been approved for treatment of extensive- stage small cell lung cancer (ES-SCLC) by the Indonesian Food and Drugs Authority (BPOM). It was the first time for this product approved for launch in overseas market, making it the first Chinese PD-1 monoclonal antibody drug approved for launch in Southeast Asia. The new second-line indication of Yi Kai Da (ejilunsai injection), a product of the joint venture Fosun Kite, for the treatment of adult patients with large B-cell lymphoma (r/r LBCL) refractory to first-line immunochemotherapy or relapsing within 12 months of first-line immunochemotherapy was approved in Chinese mainland, which would benefit more patients with tumor that was refractory to first-line immunochemotherapy or relapsed.

In 2023, 4 products exclusively commercialized by the Group including Bei Wen (倍穩) (keverprazan hydrochloride tablets), the first potassium ion competitive acid blocker (P-CAB) independently developed in China, Pei Jin (珮金) (telpegfilgrastim injection), a long-lasting recombinant human granulocyte colony- stimulating factor product, Pang Bi Fu (旁必福) (etelcalcetide hydrochloride injection), the new generation of calcimimetic, and Yi Xin Tan (一心坦) (sacubitril valsartan sodium tablets), the drug for the treatment of heart failure and hypertension in an innovative crystalline form, were approved for launch in Chinese mainland, respectively. The Group has also actively participated in negotiation in respect of the National Medical Insurance, enhanced the accessibility of drugs for relevant diseases within Chinese mainland and practically reduced the burdens of drugs on patient. In particular, Bei Wen (keverprazan hydrochloride tablets) and Pei Jin (telpegfilgrastim injection) were included in the National Medical Insurance Drugs Catalogue in December 2023, which was officially implemented in January 2024.

In addition, in 2023, Fosun Antejin, a vaccine R&D and manufacturing company of the Group, successively received the Drug Manufacturing Certificate (《藥品生產許可證》) and the Drug Operating Certificate (《藥品經營許可證》), laying a foundation for its subsequent commercial production of pipeline vaccine products. As at the date of this report, the rabies vaccine (Vero cell) for human use (freeze dried), which is independently developed by the Group, has been approved in Chinese mainland.

At the same time, the Group accelerated the development of pipelines under development. During the Reporting Period, 5 products with a total of 7 indications independently developed, co-developed and license-in by the Group, had entered the pre-launch approval stage. In particular, the marketing authorization application (MAA) of serplulimab injection (PD-1 inhibitor), a self-developed biopharmaceutical innovative drug of the Group, in the EU had been accepted, and the NDA of its new indication for the first-line treatment of patients with locally advanced or metastatic non-squamous non-small cell lung cancer (NSCLC) was also accepted by the NMPA; the biologics license application of trastuzumab injection (trade name in Chinese mainland: Han Qu You), the biosimilar self-developed by the Group, had been accepted by the U.S. FDA, which is expected to become the first domestic biosimilar approved in China, the EU and the United States. The NDA of FCN-437c, an innovative small molecule CDK4/6 inhibitor for which the Group owns its proprietary intellectual property rights, was accepted by the NMPA as well. In addition, the NDAs of aesthetic indication and medical indication of DaxibotulinumtoxinA botulinum toxin (project code: RT002) and tenapanor hydrochloride tablets (project code: Tenapanor), license-in drugs of the Group, and the NDA of Profhilo (sodium hyaluronate solution for injection), with the Group being as its sole agency in Chinese mainland, were also accepted by the NMPA.

In addition, during the Reporting Period, a total of 20 innovative drugs/biosimilars (calculated by indications) of the Group were approved for clinical trials (IND).

2. Continued to enhance global operation capabilities

In 2023, the Group continued to implement its internationalization strategy in multiple dimensions including innovative R&D, license-in projects, production and operation as well as commercialization. The Group enhanced its operational efficiency and expanded global market layout, primarily covering the U.S., Europe, Africa, India, Southeast Asia and other overseas markets.

In matured regulatory markets, the Group continued to enhance its global operation capabilities. It has set up multi-point R&D centers to realize global innovation, and gradually improved the commercialization system in different regulated markets through self-establishment, cooperation and other means. In the U.S. market, the Group has established a growing self-operated generic drug team, and cooperated with 5 major distributors and 16 group purchasing organizations. Meanwhile, the Group also established an innovative drug team in the United States. In the European market, during the Reporting Period, Gland Pharma, a subsidiary, completed the acquisition of Cenexi, a European CDMO company, so as to strategically establish its CDMO business presence in the European market and build up local manufacturing capabilities in Europe, thus further expand its customer base. During the Reporting Period, Sisram Medical, a subsidiary, completed the acquisition of the direct sales channels in China, thus achieving a direct sales layout in the Chinese market for the medical aesthetics business. The marketing network of Breas, a subsidiary, covers Europe, the U.S., China, Japan, India and Australia, and has continued to deepen local manufacturing based on the market demand in China. The construction of Intuitive Fosun Medical Robot Manufacturing and R&D Center in Shanghai of Intuitive Fosun, an associate, has been progressing rapidly. Upon completion of the construction, the center will be the second global R&D and manufacturing base of Da Vinci Surgical Robot in addition to the base in Silicon Valley, the U.S., thus facilitating the domestic manufacturing of Da Vinci Surgical Robot in Chinese mainland.

As for emerging markets, in Africa, the Group primarily conducts medical product export and distribution in the English-speaking and French-speaking regions in Sub-Saharan Africa, with sales network covering over 40 countries and regions. The Group is constructing a park integrating drug R&D, manufacturing, logistics and delivery in Cote d'Ivoire, aiming to realize local drug manufacturing and supply in Africa.

3. Continued to strengthen business focus by product lines and enhance efficiency through integration

In 2023, the Group continued to facilitate lean R&D and focus on core therapeutic areas. Through sorting internal businesses, strengthening business focus by product lines and implementing lean management, the Group further enhanced its R&D and operational efficiency. The innovative medicines division relied on the global R&D center to coordinate and manage the innovative drug R&D team and product pipelines, integrated internal and external R&D resources, improved talent team construction, and continued to enhance the early R&D and CMC R&D capabilities. Under the effective decision-making by the science administrative committee, the innovative medicines division selected high-value pipelines with dynamic adjustments, continued to improve R&D efficiency, and gathered competitive resources to facilitate the clinical progress of core key pipelines and launch of products. The established medicines manufacturing & supply division coordinated the R&D of generic drugs within the system with a focus on the first generic drugs, difficult and complex preparations, and improved new drugs. It also established regional production centers to gather production capacity and achieve the integration of APIs and preparations, improved production and operation efficiency, and expanded advantages on the production cost. The vaccines division fully integrated the technology platforms of bacterial vaccines and viral vaccines, thereby achieving advantage complementation and technology synergy.

In order to enhance cost competitiveness of products, the Group actively sorted internal competitive production capacity, and promoted the integration of production systems. It has established two comprehensive preparation production centers and three API production bases. Based on internationally competitive star production lines and production bases, the Group established a CMO/MAH management system, promoted the integration of its products and pipeline resources, and facilitated the concentration of star production lines and professional production bases for its products. Meanwhile, the Group continued to advance the implementation of "Excellence Operation and Management", and further upgraded to the FES management system based on FOPEX.

In addition, during the Reporting Period, the Group continued to divest and integrate non-strategic and non-core assets, and gathered resources on core businesses so as to optimize asset structure and improve asset efficiency. Meanwhile, the Group continued to strengthen the budget management and supply chain management, so as to achieve expenditure control and cost reduction, and ensure healthy, stable free cash flows.

4. Matured commercialization system

In 2023, the Group continued to improve its commercialization system. As at the end of the Reporting Period, the pharmaceutical manufacturing segment had a commercialization team consisting of nearly 5,000 employees in Chinese mainland, covering hospitals, retail channels and DTP clinics etc. In terms of core departments such as hematology, lymphoma, breast, medical oncology, endocrinology, cardiology, rheumatology and nephrology, through the systematic market access team and special product team, the Group explored the innovative product market in core therapeutic areas, and covered county-level and certain prefecture-level markets in Chinese mainland through the broad market team. In addition, the Group expanded the sales channels of its pharmaceutical products by virtue of the cooperation and linkage with its associate Sinopharm.

In terms of commercialization in overseas markets, as at the end of the Reporting Period, the overseas commercialization team has approximately 1,000 employees, which mainly covered markets including the U.S. and Africa. In the U.S. market, the Group has established the U.S. innovative drug team, and initiated the commercialization preparations before the launch of serplulimab injection (PD-1 inhibitor) and the preliminary preparations for the license-in projects of innovative drugs. In emerging markets such as Africa, the Group has set up 5 regional distribution centers, and established and developed digital management capabilities, user operation capabilities and B2B2C model service capabilities, and was capable to provide a one-stop service of registration, circulation, academic promotion and post-launch safety alert and other services for customers.

Meanwhile, the Group continued to optimize its marketing compliance management system, has formulated review and supervision procedures covering interactions and collaboration among different functional departments so as to ensure compliance of marketing activities, marketing methods, marketing contents and marketing materials, etc, and continued to enhance the internal audit for responsible marketing.

5. Digitally empowered business continued to grow

In 2023, the Group continued to optimize its digital technologies and means, improved the establishment of the digital system in the supply chain and marketing, and enhanced its capability in the digitalization of drug R&D.

In 2023, the Group launched the new SRM (Supplier Relationship Management) system, which integrated supplier management, sourcing management, contract management and other modules with existing management system, and linked up individual procurement procedures of existing offline operations, thus realizing close- looped management of R2P (Request to Pay). Through the sharing of suppliers' information, the Group increased the transparency of sourcing and procurement procedures and data visualization, and realized the informatization and networking of procurement operations.

In 2023, in terms of the establishment of digital system in the marketing, the Group established the marketing customer management system with independent intellectual property rights, and completed the iteration of domestic production and independent development. Meanwhile, under the premise of protecting data security, the Group enhanced the whole-process compliance management of marketing activities for key business segments through digitalization solutions, including further improvement in the responsible zone, position and end customer management under Customer Relationship Management (CRM). Through behavior management system, the Group refined the management of marketing personnel behavior, regulated marketing procedures, and promoted the sustainable, healthy development of businesses. In terms of digital marketing, the Group built up sales data screen for key business segments, and conducted comprehensive analysis on various aspects from products, management organization, administrative division, and end customer etc., aiming to digitalize and visualize marketing operations, so as to provide solid data support for the market layout of relevant products.

In 2023, the Group continued to enhance its capability in the digitalization of drug R&D, and fully optimized the management procedures for R&D projects. It has completed the building up of visual screen for R&D management procedures, realizing data analysis and real-time monitoring on R&D process, thereby improving R&D management efficiency. In addition, the Company actively promoted the deployment of large-scale models in therapeutic sectors and established the first AI drug R&D quantitative decision evaluation system in the world. Meanwhile, the Group continued to deepen the establishment of intelligent manufacturing system, set intelligent manufacturing standards through top-level design and established a digital lighthouse factory, thereby improving the manufacturing efficiency and quality stability, and realizing more reliable, effective drug manufacturing services.

In 2024, on the 30th anniversary of its inception, Fosun Pharma officially released its first ESG and Sustainability Report. This marks another milestone for Fosun Pharma to advance its sustainable development strategy and present its practices and achievements in environmental protection, social responsibility and corporate governance to stakeholders, following the release of corporate social responsibility reports for 15 consecutive years and ESG reports for 3 consecutive years. In recent years, the Group continuously improves its ESG management system by taking ESG as a management entry point so as to promote the long-term sustainable development of the Group.

OUTLOOK

In 2024, the Group will commit to its mission of improving human health, adhere to its corporate philosophy of "Innovation for Good Health", and endeavor to capture the momentum presented by the broad pharmaceutical market in China as well as the rapid growth in mainstream markets such as Europe and the U.S. and certain emerging markets. The Group adheres to the development strategies of innovation and transformation, integrated operation and steady development, so as to further enhance its establishment of core competence to improve its operating results. In terms of the innovation and the internationalization, the Group will continuously enhancing its independent R&D capability and continue to achieve the transformation and practice of global innovative advanced technologies by adopting license-in projects, deep incubation and other models so as to facilitate the innovation and transformation and propel the international expansion of the Group. In terms of the production and the operation, the Group will strengthen the upgrading and optimization of production and manufacturing system, continue to improve supply chain management, promote the consolidation of production resources and realization of star production lines for products within the Group. By taking smart factories as standard, the Group will build new manufacturing bases for preparations and APIs, so as to secure production capacity for newly launched products and key products. At the same time, the Group will continue to promote the transformation and upgrading of the digitalization and the intellectualization. In terms of sustainable development, the Group will continue to fulfill the sustainable development strategy, enhance ESG management, promote ESG practices and contribute to the sustainable development of the Group.

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

Mr. Wu Yifang
Chairman

26 March 2024

Management Discussion and Analysis

FINANCIAL REVIEW

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

During the Reporting Period, the revenue of the Group amounted to RMB41,249 million, representing a decrease of 5.85% as compared to 2022. The year-on-year change was mainly due to the significant year-on-year decline in the revenue from COVID-related products (including Comirnaty (mRNA COVID-19 vaccine), Jie Bei An (azvudine tablets), COVID-19 antigen and nucleic acid test kits, the same below).

Excluding COVID-related products, the revenue of the Group during the Reporting Period recorded a year-on-year increase of approximately 12.43%. In particular: the revenue from key products such as Han Si Zhuang (serplulimab injection), trastuzumab injection (trade name in Chinese mainland: Han Qu You) and Su Ke Xin (avatrombopag maleate tablets, the same below) maintained rapid growth.

During the Reporting Period, the profit for the year attributable to owners of the parent of the Group amounted to RMB2,399 million, representing a year-on-year decrease of 35.80%. In particular, the net profit attributable to owners of the parent of the Group after deducting extraordinary gain or loss amounted to RMB2,011 million, representing a year-on-year decrease of 48.08%. The year-on-year decrease in net profit after deducting extraordinary gain or loss was mainly due to: ① COVID-related products and assets were disposed, and impairment provisions were made, totaling approximately RMB683 million; with a significant decline in revenue from COVID-related products, profits decreased accordingly; ② finance costs increased by RMB361 million year-on-year as a result of US$ interest hikes, US$ appreciation and other factors, as well as the changes in interest-bearing liabilities scale; ③ the administrative expenses recorded a year-on-year increase; excluding the effects from newly acquired companies, the administrative expenses increased by RMB296 million on the same basis; ④ as a result of the impacts of the acquisition of Cenexi by Gland Pharma, net profits recorded a year-on-year decrease.

During the Reporting Period, earnings per share of the Group decreased by 37.06% to RMB0.90 as compared to 2022. The decrease in earnings per share was mainly due to the decrease in profit for the year attributable to owners of the parent.

REVENUE

During the Reporting Period, the revenue of the Group amounted to RMB41,249 million, representing a year-on-year decrease of 5.85%. The Group recorded revenue of RMB30,878 million in Chinese Mainland, representing a year-on-year increase of 3.36%. Revenue of an equivalent of RMB10,371 million was recorded in countries or regions other than Chinese Mainland, representing a year-on-year decrease of 25.59%.

During the Reporting Period, the pharmaceutical manufacturing segment of the Group generated revenue of RMB30,080 million, representing a year-on-year decrease of 2.00%. The segment results amounted to RMB2,134 million, representing a year-on-year decrease of 43.77%. The segment profit amounted to RMB1,974 million, representing a year-on-year decrease of 42.26%.

COST OF SALES

During the Reporting Period, cost of sales of the Group decreased to RMB21,595 million from RMB23,170 million, representing a year-on-year decrease of 6.80%.

GROSS PROFIT

During the Reporting Period, gross profit of the Group amounted to RMB19,653 million, representing a decrease of 4.79% as compared with RMB20,642 million for 2022. The gross profit margin of the Group for 2023 and 2022 was 47.64% and 47.12%, respectively. This year, the gross profit margin of the Group increased by 0.52 percentage point as compared to 2022, mainly due to the increase in the proportion of new and sub-new products with relatively high gross profit margins in total revenue.

SELLING AND DISTRIBUTION EXPENSES

During the Reporting Period, the selling and distribution expenses of the Group amounted to RMB9,712 million and the sales expense ratio was 23.54%, representing a year-on-year increase of 2.61 percentage points. The main reasons for the year-on-year change in the sales expense ratio during the Reporting Period were: (1) there were still expenses arising from the team, medical and market activities during the Reporting Period in spite of the significant decrease in revenue generated from COVID-related products; (2) the increase in selling expenses in overseas markets, such as the investment in the preparation for the launch of serplulimab injection (PD-1 inhibitor) in the U.S. market, the increase in costs in relation to the transition from a distribution model to a direct sales model and the brand ambassador project of Sisram Medical, as well as the investments for team building and other aspects for Han Si Zhuang (serplulimab injection), Bei Wen (keverprazan hydrochloride tablets) and other new products.

R&D EXPENSES AND R&D EXPENDITURE

During the Reporting Period,the total R&D expenditure of the Group amounted to RMB5,937 million, representing a year-on-year increase of RMB52 million or 0.88%. In particular, the R&D expenses amounted to RMB4,346 million, representing a year-on-year increase of RMB44 million or 1.02%. During the Reporting Period, the R&D expenditures in the pharmaceutical manufacturing segment amounted to RMB5,172 million, representing a year-on-year increase of RMB75 million or 1.47%, accounting for 17.19% of the revenue from the pharmaceutical manufacturing segment. In particular, R&D expenses amounted to RMB3,638 million, representing a year-on-year increase of RMB86 million or 2.42%, accounting for 12.09% of the revenue from the pharmaceutical manufacturing segment, mainly due to the fact that the Group maintained investment in innovative drugs and biosimilars, innovation incubation platforms and early research projects during the Reporting Period.

SHARE OF PROFITS OF ASSOCIATES

During the Reporting Period, share of profits of associates of the Group increased to RMB2,387 million from RMB2,069 million, representing an increase of 15.37% as compared to last year.

PROFIT FOR THE YEAR

Due to the above factors, profit for the year of the Group decreased to RMB2,907 million from RMB3,954 million, representing a decrease of 26.48% as compared to last year. Net profit margin of the Group for 2023 and 2022 was 7.05% and 9.03%, respectively.

PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT

During the Reporting Period, profit for the year attributable to owners of the parent of the Group decreased to RMB2,399 million from RMB3,737 million, representing a decrease of 35.80% as compared to last year.

DEBT STRUCTURE, LIQUIDITY AND SOURCES OF FUNDS

Total Debts

As at 31 December 2023, total debts of the Group increased to RMB32,574 million from RMB29,116 million as at 31 December 2022 mainly due to the increase in interest-bearing liabilities scale during the Reporting Period. As at 31 December 2023, mid-to-long-term debts of the Group accounted for 41.46% of its total debts, representing a decrease of 0.10 percentage point as compared to 41.56% as at 31 December 2022. As at 31 December 2023, cash and bank balances fell by 15.68% to RMB13,694 million from RMB16,241 million as at 31 December 2022.

As at 31 December 2023, an equivalent amount of RMB6,768 million (31 December 2022: RMB7,875 million) out of the total debts of the Group was denominated in foreign currencies, and the remainder was denominated in RMB.

As at 31 December 2023, cash and bank balances of the Group denominated in foreign currencies amounted to RMB3,457 million (31 December 2022: RMB5,858 million).

Unit: million Currency: RMB

Cash and bank balances denominated in:	**31 December 2023**	31 December 2022
RMB	**10,237**	10,383
US dollars	**1,008**	2,278
Rupees	**1,883**	2,472
Euros	**177**	114
HK dollars	**116**	717
Others	**273**	277
Total	**13,694**	16,241

Gearing Ratio

As at 31 December 2023, the gearing ratio, calculated as total interest-bearing liabilities over total assets, was 28.72%, as compared with 27.18% as at 31 December 2022.

Interest Rate

As at 31 December 2023, total interest-bearing bank and other borrowings at a floating interest rate amounted to RMB15,215 million (31 December 2022: RMB16,899 million).

Maturity Structure of Outstanding Debts

Unit: million Currency: RMB

	31 December 2023	31 December 2022
Within 1 year	**19,069**	17,016
1 to 2 years	**6,265**	3,369
3 to 5 years	**6,193**	6,464
Over 5 years	**1,047**	2,267
Total	**32,574**	29,116

AVAILABLE FACILITIES

As at 31 December 2023, save for cash and bank balances of RMB13,694 million, the Group had unutilized banking facilities of RMB18,710 million in aggregate. The Group has also entered into cooperation agreements with various major banks (the "**Banks**") in China. According to such agreements, the Banks have granted the Group general banking facilities to support its capital requirements. The utilization of such bank facilities was subject to the approval of individual projects from the Banks in accordance with banking regulations in China. As at 31 December 2023, total available banking facilities under these arrangements were approximately RMB50,832 million in aggregate, of which RMB32,122 million had been utilized.

On 12 October 2023, the Company obtained approval from the CSRC for the application for registration of the Company to publicly issue corporate bonds not exceeding RMB8 billion to professional investors. The approval shall be valid within 24 months from the date of the CSRC's approval for registration. As at the date of this report, no corporate bonds have been issued pursuant to the approval.

Collateral and Pledged Assets

As at 31 December 2023, the Group had placed the following assets as collateral for bank borrowings: property, plant and equipment amounting to RMB2,117 million (31 December 2022: RMB1,280 million), prepaid land lease payments amounting to RMB615 million (31 December 2022: RMB506 million), and patents among other intangible assets amounting to RMB355,000 (31 December 2022: Nil).

As at 31 December 2023, the Group had pledged the following for bank borrowings: 58.67% equity interest in a subsidiary Suzhou Abcarta (31 December 2022: 58.67% equity interest in a subsidiary Suzhou Abcarta). Details of the collateral and pledged assets are set out in note 34 to the financial statements.

Cash Flow

The cash of the Group is mainly used for meeting capital requirements, repaying interest and principal of debts due, paying for purchases and capital expenditures, and funding growth and expansion of facilities and businesses of the Group. The table below shows the cash flow of the Group generated from (or used in) operating activities, investing activities and financing activities for 2023 and 2022.

Unit: million Currency: RMB

	31 December 2023	31 December 2022
Net cash flows from operating activities	**3,414**	4,218
Net cash flows used in investing activities	**(3,819)**	(4,064)
Net cash flows (used in)/from financing activities	**(1,336)**	4,428
Net (decrease)/increase in cash and cash equivalents	**(1,668)**	4,582
Cash and cash equivalents at the beginning of the year	**11,170**	6,460
Cash and cash equivalents at the end of the year	**9,502**	11,170

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

Capital Commitments and Capital Expenditures

During the Reporting Period, capital expenditures of the Group amounted to RMB5,758 million, which mainly consisted of additions to property, plant and equipment, other intangible assets and prepaid land lease payments included in right-of-use assets exclusive of amounts due to new acquisition of subsidiaries. Details of capital expenditures are set out in note 4 to the financial statements.

As at 31 December 2023, the Group had capital commitments contracted but not provided for amounting to RMB931 million and capital commitments authorized but not signed for amounting to RMB1,875 million. These were mainly committed for reconstruction and renewal of plant and machinery as well as new investees. Details of capital commitments are set out in note 46 to the financial statements.

Contingent Liabilities

As at 31 December 2023, the Group did not have any contingent liabilities.

Interest Coverage

In 2023, the interest coverage, which is calculated by EBITDA divided by financial cost was 5.61 times as compared with 7.94 times for 2022. The decrease of the interest coverage was mainly due to the EBITDA of the Group in 2023 which was RMB7,720 million, decreased by 3.99% as compared with that in 2022 which was RMB8,041 million, and financial cost of the Group in 2023 amounting to RMB1,325 million, increased by 37.45% as compared with that in 2022 which was RMB964 million.

RISK MANAGEMENT

Foreign Currency Exposure

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

Interest Rate Exposure

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

BUSINESS REVIEW

The Board's Discussion and Analysis on Operations of the Group for the Reporting Period

During the Reporting Period, the revenue of the Group amounted to RMB41,249 million, representing a decrease of 5.85% as compared to the same period of last year. The year-on-year change was mainly due to the significant year-on-year decline in revenue from COVID-related products, including Comirnaty (mRNA COVID-19 vaccine), Jie Bei An (azvudine tablets), COVID-19 antigen and nucleic acid test kits, as the COVID-19 no longer constituted a "Public Health Emergency of International Concern".

Excluding COVID-related products, the revenue of the Group during the Reporting Period recorded a year-on-year increase of approximately 12.43%. In particular: in respect of the pharmaceutical manufacturing segment, the revenue from key products such as Han Si Zhuang (serplulimab injection), trastuzumab injection (trade name in Chinese mainland: Han Qu You) and Su Ke Xin (avatrombopag maleate tablets) maintained rapid growth. Upon being approved for launch in March 2022, Han Si Zhuang achieved revenue of RMB1,120 million during the Reporting Period, representing a year-on-year growth of 230.20%; trastuzumab injection achieved revenue of RMB2,749 million, representing a year-on-year growth of 58.19%[1]; Su Ke Xin achieved revenue of RMB922 million, representing a year-on-year growth of 19.67%; Otezla (apremilast tablets), Akynzeo (netupitant and palonosetron hydrochloride capsules) and other drugs were included in the National Medical Insurance Drugs Catalogue (officially executed in March 2023). In respect of the medical devices segment, the market demand of non-invasive ventilators for medical and home use (including Clearway 2 and others) in Europe and America recorded recovery growth.

[1] Revenue from trastuzumab injection included sales revenue from preparations in Chinese mainland (trade name in Chinese mainland: Han Qu You) and sales revenue from drug substance in overseas markets.

During the Reporting Period, the Group's net profit attributable to shareholders of the listed company amounted to RMB2,399 million, representing a year-on-year decrease of 35.80%. In particular, the net profit attributable to shareholders of the listed company after deducting extraordinary gain or loss amounted to RMB2,011 million, representing a year-on-year decrease of 48.08%, which was mainly due to the following factors:

(1) Impacts of COVID-related products: ① COVID-related products and assets with indications of impairment were disposed, and impairment provisions were made, totaling approximately RMB683 million; ② with a significant decline in revenue from COVID-related products, profits decreased accordingly; ③ there were still expenses arising from the team, medical and market activities for COVID-related operations during the Reporting Period.

(2) Finance costs increased by RMB361 million year-on-year as a result of US$ interest hikes, US$ appreciation and other factors, as well as the changes in interest-bearing liabilities scale.

(3) As a result of the increasing human resources cost, consultation fees and other expenses, the administrative expenses recorded a year-on-year increase of RMB579 million; excluding the effects from newly acquired companies, the administrative expenses increased by RMB296 million on the same basis.

(4) As a result of the impacts of the costs and amortisation of the acquisition of Cenexi by Gland Pharma, and operating losses of Cenexi, net profits recorded a year-on-year decrease.

During the Reporting Period, the Group recorded extraordinary gain or loss of RMB388 million, which mainly included the gains from the disposal of non-core assets such as Tianjin Pharma and the gains from changes in fair value of financial assets such as YSB, representing a year-on-year increase of RMB524 million.

During the Reporting Period, the total R&D expenditure of the Group amounted to RMB5,937 million, representing a year-on-year increase of 0.88%. In particular, R&D expenses amounted to RMB4,346 million, representing a year-on-year increase of 1.02%.

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

Unit: million Currency: RMB

	2023 revenue		2022 revenue		Year-on-year increase/ decrease of revenue (%)
	Amount	Percentage of revenue (%)	Amount	Percentage of revenue (%)	
By business segment					
Pharmaceutical manufacturing[Note 1]	**30,080**	**72.92**	30,693	70.06	–2.00
Medical devices and medical diagnosis[Note 2]	**4,386**	**10.63**	6,933	15.82	–36.74
Healthcare services	**6,667**	**16.16**	6,076	13.87	9.73
By geographical locations					
Chinese mainland	**30,878**	**74.86**	29,873	68.19	3.36
Regions outside Chinese mainland and other countries	**10,371**	**25.14**	13,938	31.81	–25.59[Note 3]

Note 1: Mainly due to the year-on-year decrease in the revenue of Comirnaty (mRNA COVID-19 vaccine). Excluding COVID-related products, the revenue of the pharmaceutical manufacturing segment increased by 13.47% year-on-year.

Note 2: Mainly due to the year-on-year decrease in the revenue of COVID-19 antigen, nucleic acid test kits and non-proprietary COVID-19 products sold overseas. Excluding COVID-related products, the revenue of the medical devices and medical diagnosis segment increased by 4.25% year-on-year.

Note 3: Mainly due to factors including the significant year-on-year decrease in revenue of Comirnaty (mRNA COVID-19 vaccine) in Hong Kong, Macau and Taiwan region and non-proprietary COVID-19 products sold overseas.

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

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

During the Reporting Period, a total of 6 innovative drugs with a total of 8 indications of the Group were approved for launch. During the Reporting Period, Han Si Zhuang (serplulimab injection), the first self-developed biopharmaceutical innovative drug of the Group, had been approved for two new indications for extensive-stage small cell lung cancer (ES-SCLC) and esophageal squamous cell carcinoma (ESCC) in Chinese mainland and became the world's first monoclonal antibody drug targeting PD-1 approved for the first-line treatment of extensive-stage small cell lung cancer (ES-SCLC). In addition, serplulimab injection (PD-1 inhibitor) had been approved for treatment of extensive- stage small cell lung cancer (ES-SCLC) by the Indonesian Food and Drugs Authority (BPOM). It was the first time for this product approved for launch in overseas market, making it the first Chinese PD-1 monoclonal antibody drug approved for launch in Southeast Asia. The new second-line indication of Yi Kai Da (ejilunsai injection), a product of the joint venture Fosun Kite, for the treatment of adult patients with large B-cell lymphoma (r/r LBCL) refractory to first-line immunochemotherapy or relapsing within 12 months of first-line immunochemotherapy was approved in Chinese mainland, which would benefit more patients with tumor that was refractory to first-line immunochemotherapy or relapsed. For details on the updates on major R&D pipelines of the Group during the Reporting Period, please refer to Table 1.

During the Reporting Period, 4 products exclusively commercialized by the Group including Bei Wen (倍穩) (keverprazan hydrochloride tablets), the first potassium ion competitive acid blocker (P-CAB) independently developed in China, Pei Jin (珮金) (telpegfilgrastim injection), a long-lasting recombinant human granulocyte colony-stimulating factor product, Pang Bi Fu (旁必福) (etelcalcetide hydrochloride injection), the new generation of calcimimetic, and Yi Xin Tan (一心坦) (sacubitril valsartan sodium tablets), the drug for the treatment of heart failure and hypertension in an innovative crystalline form, were approved for launch in Chinese mainland, respectively. Over the years, the Group has actively participated in negotiation in respect of the National Medical Insurance, enhanced the accessibility of drugs for relevant diseases within Chinese mainland and practically reduced the burdens of drugs on patients, aiming to improve the living and life quality of patients through regulated therapies. In particular, Bei Wen (keverprazan hydrochloride tablets) and Pei Jin (telpegfilgrastim injection) were included in the National Medical Insurance Drugs Catalogue in December 2023, which was officially implemented in January 2024.

During the Reporting Period, Fosun Antejin, a vaccine R&D and manufacturing company of the Group, successively received the Drug Manufacturing Certificate (《藥品生產許可證》) and the Drug Operating Certificate (《藥品經營許可證》), laying a foundation for its subsequent commercial production of pipeline vaccine products. As at the date of this report, the rabies vaccine (Vero cell) for human use (freeze dried), which is independently developed by the Group, has been approved in Chinese mainland.

For details of major marketed innovative products and description of core categories of the Group as at the end of the Reporting Period, please refer to Table 2.

At the same time, the Group accelerated the development of pipelines under development. During the Reporting Period, 5 products with a total of 7 indications[2] independently developed, co-developed and license-in by the Group, had entered the pre-launch approval stage. During the Reporting Period, the marketing authorization application (MAA) of serplulimab injection (PD-1 inhibitor), a self-developed biopharmaceutical innovative drug of the Group, in the EU had been accepted, and the NDA of its new indication in combination with pemetrexed and carboplatin for the first-line treatment of patients with epidermal growth factor receptor (EGFR) sensitivity mutation-negative and anaplastic lymphoma kinase (ALK) gene rearrangement-negative locally advanced or metastatic non-squamous non-small cell lung cancer (NSCLC) was accepted by the NMPA in December 2023; the biologics license application of trastuzumab injection (trade name in Chinese mainland: Han Qu You), the biosimilar self-developed by the Group, had been accepted by the U.S. FDA, which is expected to become the first domestic biosimilar approved in China, the EU and the United States, thus further covering the mainstream biopharmaceutical markets in Europe and the United States. The NDA of FCN-437c, an innovative small molecule CDK4/6 inhibitor for which the Group owns its proprietary intellectual property rights, was accepted by the NMPA in November 2023. In addition, the NDAs of aesthetic indication (temporary improvement on moderate to severe glabellar lines in adults caused by corrugator supercilii and/or procerus muscle activity) and medical indication (treatment for cervical dystonia in adults) of DaxibotulinumtoxinA botulinum toxin (project code: RT002), a license-in drug of the Group, were accepted by the NMPA in April and July 2023, respectively; the NDA of tenapanor hydrochloride tablets (project code: Tenapanor) proposed for controlling hyperphosphatemia in adult patients receiving hemodialysis treatment for chronic kidney disease (CKD) was accepted by the NMPA in July 2023; the NDA of Profhilo (sodium hyaluronate solution for injection), with the Group being as its sole agency in Chinese mainland, was also accepted by the NMPA.

In addition, during the Reporting Period, a total of 20 innovative drugs/biosimilars (calculated by indications) of the Group were approved for clinical trials (IND).

[2] Including the biologics license application (BLA) for trastuzumab injection, which is independently developed by the Group, in the U.S. submitted by Accord BioPharma Inc., a partner of the Group.

2. Continued to enhance global operation capabilities

During the Reporting Period, the Group continued to implement its internationalization strategy in multiple dimensions including innovative R&D, license-in projects, production and operation as well as commercialization. The Group enhanced its operational efficiency and expanded global market layout, primarily covering the U.S., Europe, Africa, India, Southeast Asia and other overseas markets.

In matured regulatory markets, the Group continued to enhance its global operation capabilities. It has set up multi-point R&D centers to realize global innovation, and gradually improved the commercialization system in different regulated markets through self-establishment, cooperation and other means. In the U.S. market, the Group has established a growing self-operated generic drug team, and cooperated with 5 major distributors and 16 group purchasing organizations to facilitate sales of preparations products. The Group also established an innovative drug team in the United States, and initiated the preparation works on the commercialization of serplulimab injection (PD-1 inhibitor). In the European market, during the Reporting Period, Gland Pharma, a subsidiary, completed the acquisition of Cenexi, a European CDMO company, so as to strategically establish its CDMO business presence in the European market and build up local manufacturing capabilities in Europe, thus further expand its customer base. During the Reporting Period, Sisram Medical, a subsidiary, completed the acquisition of the direct sales channels in China, thus achieving a direct sales layout in the Chinese market for the medical aesthetics business. As at the end of the Reporting Period, its marketing network covered more than 100 countries and regions across the world, and the proportion of direct sales revenue further increased to 78%. The marketing network of Breas, a subsidiary, covers Europe, the U.S., China, Japan, India and Australia, and has continued to deepen local manufacturing based on the market demand in China. The construction of Intuitive Fosun Medical Robot Manufacturing and R&D Center in Shanghai of Intuitive Fosun, an associate, has been progressing rapidly. Upon completion of the construction, the center will be the second global R&D and manufacturing base of Da Vinci Surgical Robot in addition to the base in Silicon Valley, the U.S., thus facilitating the domestic manufacturing of Da Vinci Surgical Robot in Chinese mainland.

As for emerging markets, in Africa, the Group primarily conducts medical product export and distribution in the English-speaking and French-speaking regions in Sub-Saharan Africa, with sales network covering over 40 countries and regions. The Group is constructing a park integrating drug R&D, manufacturing, logistics and delivery in Cote d'Ivoire, aiming to realize local drug manufacturing and supply in Africa.

- *Internationalization progress of innovative products*

  The Group has steadily facilitated the internationalization of relevant products in regulatory markets such as the U.S. and the EU. During the Reporting Period, in respect of pharmaceutical manufacturing segment, the BLA of Han Qu You (trastuzumab injection) for treatment of breast cancer was accepted by the U.S. FDA; the marketing authorization application of Han Si Zhuang (serplulimab injection) for treatment of small cell lung cancer (SCLC) was accepted by the European Medicine Agency (EMA); in December 2023, serplulimab injection (PD-1 inhibitor) was approved for launch in overseas market for the first time. It has been approved for treatment of extensive-stage small cell lung cancer (ES-SCLC) by the Indonesian Food and Drugs Authority (BPOM), and completed the first round of overseas distribution in January 2024; HLX04-O (recombinant anti-VEGF humanized monoclonal antibody injection) for treatment of wet age-related macular degeneration (wAMD), HLX11 (recombinant anti-HER2 domain II humanized monoclonal antibody injection) for neoadjuvant treatment of breast cancer and HLX14 (recombinant anti-RANKL fully human monoclonal antibody injection) for treatment of osteoporosis were at the phase III of the international multi-center clinical trial. In respect of medical device segment, during the Reporting Period, Sisram Medical, a subsidiary, introduced Alma Veil™, an advanced dual-wavelength vascular laser device, in the North American market; two classical products, namely Soprano Titanium and Opus, were introduced in new markets; two newly added supplementary parts of BeautiFill, a laser-aided fat removal and skin firming device, obtained regulatory licenses from the U.S. FDA.

- *Localization progress of innovative products in China*

  The Group proactively introduces international leading technologies and products into Chinese market, so as to benefit more patients and customers. In December 2023, Chindex, a subsidiary, officially entered into cooperation agreements with Insightec, pursuant to which both parties will establish a joint venture in Chinese mainland, focusing on the commercialization, clinical application and research of magnetic resonance image guided focused ultrasound brain therapy system (i.e. MRgFUS brain therapy system) in Chinese mainland, Hong Kong and Macau, thus helping patients with Parkinson's disease and idiopathic tremor to regain quality of life. Guided by magnetic resonance image, MRgFUS brain therapy system can achieve non-invasive treatment for various neurodegenerative diseases in brain. With accuracy up to millimeter level, it is one of the global cutting-edge non-invasive transcranial therapy technological products at the moment. During the Reporting Period, the installation volume of "Da Vinci Surgical Robot" was 55 in Chinese mainland and Hong Kong. In June 2023, the domestic medical device registration of "thoracic and abdominal endoscopy surgical control system" (the fourth generation of Da Vinci Surgical System, which can be applied in endoscopic surgeries in urology, general surgery, obstetrics and gynecology, thoracic surgery etc.) was approved by NMPA. In December 2023, the first domestically-manufactured Da Vinci Surgical Robot was officially applied in Cancer Center Gansu Hospital of Sun Yat-sen University, thus facilitating the establishment of regional medical center in China and providing patients with more efficient, more accurate and safer surgery treatment. This also marked the commercialization milestone of domestically-manufactured Da Vinci Surgical Robot. During the Reporting Period, various ventilators of Breas, a subsidiary, were subsequently approved for launch in Chinese mainland, and the progress of localization continued to proceed; the new second-line indication of Yi Kai Da (ejilunsai injection), the first CAR-T product approved for domestic launch of joint venture Kite Pharma, was approved in June 2023, benefiting more patients with disease that is refractory to first-line immunochemotherapy or relapses; as at the end of the Reporting Period, Yi Kai Da benefitted over 600 patients with lymphoma.

- *Progress of global two-way license cooperation*

  The Group has continued to enhance global two-way license cooperation, and actively implemented its internationalization strategy. In respect of license-in, in January 2024, Shanghai Henlius, a subsidiary, had entered into strategic cooperation and exclusive license agreements with Sermonix, aiming to develop, manufacture and commercialize at least two indications for ER+/HER2- breast cancer of lasofoxifene in Chinese mainland, Hong Kong, Macau and Taiwan region; in the same month, Sisram Medical, a subsidiary, established a strategic partnership with Prollenium, and obtained the exclusive distribution rights of the Revanesse dermal filler collection, which applies advanced hyaluronic acid technology, in several major markets including Germany, Austria, Switzerland, Australia and New Zealand. In respect of license- out, Shanghai Henlius, a subsidiary, had entered into a license and supply agreement with Boston Oncology in April 2023, granting Boston Oncology the exclusive license to develop and commercialize rituximab injection in 16 emerging markets in Asia and Africa, so as to further improve the accessibility of such product in Asia and Africa. In August 2023, Shanghai Henlius reached agreements with KGbio with regard to the cooperation for the commercialization of serplulimab injection (PD-1 inhibitor) in overseas markets, enabling the cooperation scope of both parties to further expand to 12 countries in regions of the Middle East and North Africa from the original 10 countries in Southeast Asia; in October 2023, Shanghai Henlius had entered into a license agreement with Intas, granting Intas the rights to exclusively commercialize serplulimab injection (PD-1 inhibitor) in agreed European zone and India and other rights, so as to improve the accessibility and recognition of the product in the global market.

- *Progress of building production system with international quality standard*
  The Group continued to promote the building of production system with international quality standard, thus laying a solid foundation for the overseas distribution of preparations. In August 2023, Songjiang Base (phase I) of Shanghai Henlius, a subsidiary, accepted the pre-license inspection in respect of trastuzumab injection by the U.S. FDA; in October 2023, Xuhui Base subsequently passed the pre-launch GMP on-site inspection in respect of serplulimab injection (PD-1 inhibitor) by the Indonesian Food and Drugs Authority (BPOM) and the pre-launch GMP inspection in respect of serplulimab injection (PD-1 inhibitor) and trastuzumab injection in Brazil by the Brazilian Health Regulatory Agency (ANVISA), and passed the GMP inspection in respect of rituximab injection drug substance (DS) and drug preparations (DP) by National Institute for the Monitoring of Medicine and Food of Colombia (INVIMA) in November 2023; in December 2023, Xuhui Base and part of Songjiang Base (phase I) passed the pre-launch GMP on-site inspection in respect of serplulimab injection (PD-1 inhibitor) in the EU by Health and Youth Care Inspectorate, the health regulatory institution of Holland. In particular, relevant production facilities of serplulimab injection (PD-1 inhibitor) passed EU Country GMP certificate for the first time (based on the GMP mutual recognition between EU countries, the certificate indicates that these production facilities are in compliance with EU GMP standards). In October 2023, Guilin Pharma, a subsidiary, passed the pre-approval inspection and surveillance inspection by the U.S. FDA in respect of sertraline hydrochloride tablets, compound sulfamethoxazole tablets and API (Bumetanide).

3. Continued to strengthen business focus by product lines and enhance efficiency through integration

During the Reporting Period, the Group continued to facilitate lean R&D and focus on core therapeutic areas. Through sorting internal businesses, strengthening business focus by product lines and implementing lean management, the Group further enhanced its R&D and operational efficiency. The innovative medicines division relied on the global R&D center to coordinate and manage the innovative drug R&D team and product pipelines, integrated internal and external R&D resources, improved talent team construction, and continued to enhance the early R&D and CMC R&D capabilities. Under the effective decision-making by the science administrative committee, the innovative medicines division selected high-value pipelines with dynamic adjustments, continued to improve R&D efficiency, and gathered competitive resources to facilitate the clinical progress of core key pipelines and launch of products. The established medicines manufacturing & supply division coordinated the R&D of generic drugs within the system with a focus on the first generic drugs, difficult and complex preparations, and improved new drugs. It also established regional production centers to gather production capacity and achieve the integration of APIs and preparations, improved production and operation efficiency, and expanded advantages on the production cost. The vaccines division fully integrated the technology platforms of bacterial vaccines and viral vaccines, thereby achieving advantage complementation and technology synergy.

In order to enhance cost competitiveness of products, the Group actively sorted internal competitive production capacity, and promoted the integration of production systems. It has established two comprehensive preparation production centers and three API production bases. Based on internationally competitive star production lines and production bases, the Group established a CMO/MAH management system, promoted the integration of its products and pipeline resources, and facilitated the concentration of star production lines and professional production bases for its products. Meanwhile, during the Reporting Period, the Group continued to advance the implementation of "Excellence Operation and Management", and further upgraded to the FES management system based on FOPEX. Through in-depth analysis and study of each production stage of key products, the Group implemented optimization measures to improve processes, enhance quality and reduce cost, and enhanced product delivery capability. Focusing on revenue growth and R&D efficiency improvement, the Group worked on operation quality improvement, and continued to deepen informatization and intelligent transformation.

In addition, during the Reporting Period, the Group continued to divest and integrate non-strategic and non-core assets, and gathered resources on core businesses so as to optimize asset structure and improve asset efficiency. Meanwhile, the Group continued to strengthen the budget management and supply chain management, so as to achieve expenditure control and cost reduction, and ensure healthy, stable free cash flows. On the basis of the promotion of quality and efficiency improvement and lean management during 2023, the Group will continue to promote lean management in 2024, and facilitate Excellence Operation and Management (FOPEX) at subsidiaries, which is expected to cover various aspects including quality enhancement, cost control, efficiency improvement, cyclical management and innovative R&D etc., so as to facilitate comprehensive improvement in operational efficiency and build up the foundation for long-term sustainable development.

4. Matured commercialization system

The Group continued to improve its commercialization system. As at the end of the Reporting Period, the pharmaceutical manufacturing segment had a commercialization team consisting of nearly 5,000 employees in Chinese mainland, covering hospitals, retail channels and DTP clinics etc. In terms of core departments such as hematology, lymphoma, breast, medical oncology, endocrinology, cardiology, rheumatology and nephrology, through the systematic market access team and special product team, the Group explored the innovative product market in core therapeutic areas, and covered county-level and certain prefecture-level markets in Chinese mainland through the broad market team. In addition, the Group expanded the sales channels of its pharmaceutical products by virtue of the cooperation and linkage with its associate Sinopharm.

In terms of commercialization in overseas markets, as at the end of the Reporting Period, the overseas commercialization team has approximately 1,000 employees, which mainly covered markets including the U.S. and Africa. In the U.S. market, the Group has established the U.S. innovative drug team, and initiated the commercialization preparations before the launch of serplulimab injection (PD-1 inhibitor) and the preliminary preparations for the license-in projects of innovative drugs. In emerging markets such as Africa, the Group has set up 5 regional distribution centers, and established and developed digital management capabilities, user operation capabilities and B2B2C model service capabilities, and was capable to provide a one-stop service of registration, circulation, academic promotion and post-launch safety alert and other services for customers. During the Reporting Period, clinical data of several innovative drugs of the Group was published at domestic and overseas pharmaceutical industry academic conferences such as the conferences of the American Society of Clinical Oncology (ASCO), Chinese Society of Clinical Oncology (CSCO), European Hematology Association (EHA) and European Society for Medical Oncology (ESMO).

Meanwhile, the Group continued to optimize its marketing compliance management system, and has formulated review and supervision procedures covering interactions and collaboration among different functional departments, so as to ensure compliance of marketing activities, marketing methods, marketing contents and marketing materials, etc. The Group continued to enhance the internal audit for responsible marketing, and conducted audit works on regulated management over execution of responsible marketing policies, sales procedures, signing of sales contracts and other matters of subsidiaries. In terms of internal compliance supervision, the Group further enhanced the openness and transparency of its management systems. During the Reporting Period, several internal systems, such as the Regulations on Anti-Corruption and the Regulations on the Management of Integrity in Practice, were published on the website of the Company. These systems further elaborate the red line mechanism, and impose stricter compliance requirements and supervision on various operational procedures, so as to maintain a fair and clean business environment and culture. In terms of internal staff training, the Group regularly provides responsible marketing special training to all employees in marketing-related positions, covering laws and regulations, internal rules and regulations and product knowledge, etc. The training adopts a combination of online and offline methods to help marketing personnel understand the marketing-related regulations of the Group to ensure a reasonable and compliant marketing process. In addition, during the Reporting Period, the Group has commenced the ESG Culture Month campaign, which covers different themes such as marketing compliance and anticorruption, aiming to increase employees' understanding and recognition of compliance and enhance their awareness on risk control.

5. Digitally empowered business continued to grow

During the Reporting Period, the Group continued to optimize its digital technologies and means, improved the establishment of the digital system in the supply chain and marketing, and enhanced its capability in the digitalization of drug R&D.

During the Reporting Period, the Group launched the new SRM (Supplier Relationship Management) system, which integrated supplier management, sourcing management, contract management and other modules with existing management system, and linked up individual procurement procedures of existing offline operations, thus realizing close-looped management of R2P (Request to Pay). Through the sharing of suppliers' information, the Group increased the transparency of sourcing and procurement procedures and data visualization, and realized the informatization and networking of procurement operations, which will benefit the Group for its continuous enhancement in procurement management and decision-making efficiency. Subsequently, the Group will further deepen SRM application. Through comprehensive analysis on procurement data, the Group will better manage its procurement and make decisions, and continue to build up lean supply chain management system.

During the Reporting Period, in terms of the establishment of digital system in the marketing, the Group established the marketing customer management system with independent intellectual property rights, and completed the iteration of domestic production and independent development. Meanwhile, under the premise of protecting data security, the Group enhanced the whole-process compliance management of marketing activities for key business segments through digitalization solutions, including further improvement in the responsible zone, position and end customer management under Customer Relationship Management (CRM). Through behavior management system, the Group refined the management of marketing personnel behavior, regulated marketing procedures, and promoted the sustainable, healthy development of businesses. In terms of digital marketing, the Group built up sales data screen for key business segments, and conducted comprehensive analysis on various aspects from products, management organization, administrative division, and end customer etc., aiming to digitalize and visualize marketing operations, so as to provide solid data support for the market layout of relevant products.

During the Reporting Period, the Group continued to enhance its capability in the digitalization of drug R&D, and fully optimized the management procedures for R&D projects. It has completed the building up of visual screen for R&D management procedures, realizing data analysis and real-time monitoring on R&D process, thereby improving R&D management efficiency. In addition, the Company, together with "Shuimu Molecular" incubated by Institute of AI Industry Research of Tsinghua University, actively promoted the deployment of large-scale models in therapeutic sectors. Combining drug R&D experiences with the latest AIGC (AI Generated Content) artificial intelligence large language model technology, the first AI drug R&D quantitative decision evaluation system in the world was established. Leveraging AIGC with AI-Agent technology, this system can conduct quantitative decision evaluation, which can improve the efficiency and accuracy of drug R&D decision-making, thus realizing independent control over large-scale model of biopharmaceutical sector. Meanwhile, ChatGPT LLM model was integrated with INNOX, the management platform for self-developed drug R&D projects, providing users with R&D NLP Q&A service, thus improving the efficiency of R&D personnel in terms of information collection and problem solving. Moreover, the Group continued to deepen the establishment of intelligent manufacturing system, set intelligent manufacturing standards through top-level design and established a digital lighthouse factory, thereby improving the manufacturing efficiency and quality stability, and realizing more reliable, effective drug manufacturing services.

Table 1: Updates on major R&D pipelines during the Reporting Period

Progress during the Reporting Period	Drug name/code	Target/ mechanism	Drug Category	IND approved	Phase I	Phase II	Phase III	NDA accepted	Approved for launch	Remarks
Approved for launch	Serplulimab injection (trade name in Chinese Mainland: Han Si Zhuang, trade name in Indonesia: Zerpidio)	PD–1	Therapeutic biological product	Treatment of extensive-stage small cell lung cancer (ES-SCLC) (Chinese mainland and Indonesia)						In combination with carboplatin and etoposide
				First-line treatment of patients with PD-L1 positive unresectable locally advanced/ recurrent or metastatic esophageal squamous cell carcinoma (ESCC)						In combination with drugs containing fluorouracil and platinum
	Yi Kai Da (ejilunsai injection)	CD19	Therapeutic biological product	Treatment of adult patients with large B-cell lymphoma (r/r LBCL) refractory to first-line immunochemotherapy or relapsing within 12 months of first-line immunochemotherapy						*Note 1*
	Bei Wen (keverprazan hydrochloride tablets)	P-CAB	Chemical drug	Duodenal ulcer (DU)						—
				Reflux esophagitis (RE)						—
	Tenapanor hydrochloride tablets (Tenapanor)	NHE3	Chemical drug	Irritable bowel syndrome with constipation (Hong Kong)						—
	Comirnaty Bivalent Vaccine (mRNA COVID-19 Original/Omicron BA.4/BA.5-adapted bivalent vaccine)	S protein	Biological product	Prevention of disease (COVID-19) caused by novel coronavirus (SARS-CoV-2) infection (Macau)						—
	Comirnaty XBB1.5 (Omicron-adapted XBB1.5)	S protein	Biological product	Prevention of disease (COVID-19) caused by novel coronavirus (SARS-CoV-2) infection (Hong Kong and Macau)						—
NDA accepted	Serplulimab injection (trade name in Chinese Mainland: Han Si Zhuang)	PD–1	Therapeutic biological product	First-line treatment of patients with epidermal growth factor receptor (EGFR) sensitivity mutation- negative and anaplastic lymphoma kinase (ALK) gene rearrangement-negative locally advanced or metastatic non-squamous non-small cell lung cancer (NSCLC)						In combination with pemetrexed and carboplatin
				First-line treatment of extensive-stage small cell lung cancer (ES-SCLC) (Europe)						In combination with carboplatin and etoposide
	FCN-437c	CDK4/6	Chemical drug	Locally advanced or metastatic breast cancer patients with hormone receptor (HR) positive and human epidermal growth factor receptor 2 (HER2) negative disease progression following previous endocrine therapy						In combination with fulvestrant
	DaxibotulinumtoxinA botulinum toxin (RT002)	/	Therapeutic biological product	Temporary improvement on moderate to severe glabellar lines in adults caused by corrugator supercilii and/or procerus muscle activity						—
				Treatment of cervical dystonia in adults						—
	Tenapanor hydrochloride tablets (Tenapanor)	NHE3	Chemical drug	Controlling hyperphosphatemia in adult patients receiving hemodialysis treatment for chronic kidney disease (CKD)						—
	Trastuzumab injection (trade name in Chinese mainland: Han Qu You)	HER2	Biological product	(1) Adjuvant therapy for HER2-expressing breast cancer; (2) Therapy for HER2-expressing metastatic breast cancer; (3) Therapy for HER2-expressing metastatic gastric adenocarcinoma or gastroesophageal junctional adenocarcinoma (U.S.)						—
Under phase III clinical study	FS-1502 (recombinant HER2 humanized monoclonal antibody-monomethyl auristatin F conjugate for injection)	HER2	Therapeutic biological product	HER2-positive locally advanced or metastatic breast cancer						—
	FCN-159	MEK1/2	Chemical drug	Neurofibromatosis type I in adults						—
	ET-26 (methoxyetomidate hydrochloride for injection)	GABA receptor	Chemical drug	Induction of general anesthesia in adults						—
Under phase II clinical study	HLX26 (recombinant anti-LAG-3 humanized monoclonal antibody injection)	LAG–3	Therapeutic biological product	Metastatic colorectal cancer (mCRC)						In combination with serplulimab injection and chemotherapy
	FCN-338#	BCL–2	Chemical drug	Treatment of myeloid malignancies						In combination with azacitidine or chemotherapy
	FCN-159#	MEK1/2	Chemical drug	Langerhans cell histiocytosis in children						—
	HLX208 (BRAF V600E inhibitor)	BRAF V600E	Therapeutic biological product	Non-small cell lung cancer (NSCLC)						In combination with serplulimab injection

Progress during the Reporting Period	Drug name/code	Target/ mechanism	Drug Category	IND approved	Phase I	Phase II	Phase III	NDA accepted	Approved for launch	Remarks
Under phase I clinical study	HLX15 (recombinant anti-CD38 fully human monoclonal antibody injection)	CD38	Therapeutic biological product	Multiple myeloma (MM)						—
	HLX13# (recombinant anti-CTLA-4 fully human monoclonal antibody injection)	CTLA-4	Therapeutic biological product	Melanoma, Renal Cell Carcinoma, Colorectal Cancer, Hepatocellular Carcinoma, Non-Small Cell Lung Cancer, Malignant Pleural Mesothelioma and Esophageal Squamous Cell Cancer						—
	SZEY-2108 for injection#	/	Chemical drug	Carbapenem resistant Enterobacteriaceae (CRE) infection						—
	XH-S003#	/	Chemical drug	Treatment of IgA nephropathy and other glomerular diseases with abnormal complement activation (Australia)						*Note 2*
	HLX43# (antibody-drug conjugate targeting PD-L1 with novel DNA topoisomerase I inhibitor)	PD-L1 ADC	Therapeutic biological product	Advanced/metastatic solid tumors						*Note 3*
	XS-03#	/	Chemical drug	RAS-mutated advanced solid tumor						—
	OP0595# (Nacubactam for injection)	β-lactamase inhibitor	Chemical drug	Treatment of adults infected by aerobic gram-negative bacteria with limited options						*Note 4*
	XH-S002#	/	Chemical drug	Secondary prevention of ischemic stroke and transient ischemic attack						—
IND approved	HLX51 (recombinant anti-OX40 humanized monoclonal antibody for injection)	OX40	Therapeutic biological product	Advanced/metastatic solid tumor and lymphoma						—
	HLX26 (recombinant anti-LAG-3 humanized monoclonal antibody injection)	LAG-3	Therapeutic biological product	First-line treatment of advanced non- small cell lung cancer (NSCLC)						In combination with serplulimab injection and chemotherapy
	HLX13 (recombinant anti-CTLA-4 fully human monoclonal antibody injection)	CTLA-4	Therapeutic biological product	Liver cancer						—
	FCN-016	ROCK	Chemical drug	Glaucoma or ocular hypertension						—
	Anti-human T-lymphocyte rabbit immunoglobulin (trademark in Chinese mainland: Fu Ke Shu, trade name:Grafalon)	/	Therapeutic biological product	Prevention of graft-versus-host disease (GvHD) after hematopoietic stem cell transplantation						—
	HLX42 (antibody-drug conjugate targeting EGFR with novel DNA topoisomerase I inhibitor)	EGFR ADC	Therapeutic biological product	Advanced/metastatic solid tumor (Chinese mainland and U.S.)						*Note 5*
	VT-101 injection	/	Therapeutic biological product	Advanced head and neck squamous carcinoma, melanoma and breast cancer and other solid tumors (Chinese mainland and U.S.)						—

Innovative drugs/biosimilars (products) approved for clinical trial and had commenced respective clinical study during the Reporting Period.

Note 1: Yi Kai Da (ejilunsai injection) is a product of Fosun Kite, a joint venture. In June 2023, Yi Kai Da (ejilunsai injection) for the treatment of adult with large B-cell lymphoma (r/r LBCL) that is refractory to first-line immunochemotherapy or that relapses within 12 months of first-line immunochemotherapy was conditionally approved by the NMPA. As at the date of this report, Yi Kai Da (for the treatment of adult patients with relapsed or refractory inert non-Hodgkin's lymphoma (r/r iNHL) containing follicular lymphoma and marginal zone lymphoma), was at the bridging clinical trial stage in Chinese mainland.

Note 2: In addition, the clinical trial application of such indication was also approved by the NMPA in July 2023.

Note 3: In addition, the clinical trial application of such indication was also approved by the U.S. FDA in November 2023.

Note 4: In July 2023, the phase I and phase III clinical trial application of the combination dosing of OP0595 and cefepime or aztreonam for the treatment of adults infected by aerobic gram-negative bacteria with limited treatment options was approved by the NMPA and the phase I clinical trial had commenced during the Reporting Period.

Note 5: In December 2023, HLX42 for the treatment of patients with advanced or metastatic EGFR-mutated non-small cell lung cancer whose disease has progressed on a third-generation EGFR tyrosine kinase inhibitor was granted the Fast Track Designation (FTD) by the U.S. FDA.

Table 2: Major marketed innovative products and description of core categories

No.	Therapeutic area	Product name	Description of product	Photo of product
1	Anti-tumor and immune modulation	Han Li Kang (rituximab injection)	This drug was approved for launch by the NMPA in February 2019, and is the first domestic biosimilar. Its approved indications include: (1) non-Hodgkin's lymphoma, (2) chronic lymphoblastic leukaemia, (3) rheumatoid arthritis (RA). It is also the first rituximab approved for rheumatoid arthritis (RA) indication in China.	
2		Han Qu You (trastuzumab injection)	This drug is the first trastuzumab biosimilar approved for launch in China, and also the first domestic monoclonal antibody biosimilar approved by both China and Europe. Its approved indications include: (1) HER2 positive early breast cancer, (2) metastatic breast cancer, (3) metastatic gastric cancer. Centering on such drug, the Group, in cooperation with international renowned biopharmaceutical enterprises including Accord Healthcare Limited, PT Kalbio Global Medika and Laboratorio ELEA Phoenix S.A., expanded its layout in Europe, the United States, Canada and numerous emerging countries. This drug has been approved for launch in over 40 countries and regions. The trade name of such drug in Europe is Zercepac, while its trade name in Australia is Tuzucip and Trastucip.	
3		Han Si Zhuang (serplulimab injection)	This drug (PD–1 inhibitor) was approved for launch by the NMPA in March 2022, and is the first innovative monoclonal antibody independently developed by the Group. Its approved indications include: (1) microsatellite instability-high (MSI-H) solid tumors (conditionally approved), (2) squamous non-small cell lung cancer, (3) extensive-stage small cell lung cancer, and (4) esophageal squamous cell carcinoma (ESCC). It is the first anti-PD–1 monoclonal antibody drug approved for the first-line treatment of small cell lung cancer in the world. It has been recommended by 9 guidelines in 2023, including CSCO Guidelines on Small Cell Lung Cancer Treatment, CSCO Guidelines on Non- Small Cell Lung Cancer Treatment, CSCO Guidelines on Esophageal Cancer Treatment, CSCO Guidelines on Colorectal Cancer Treatment and CSCO Guidelines on Clinical Application of Immune Checkpoint Inhibitors. In December 2023, this drug was approved by the Indonesian Food and Drugs Authority (BPOM). It was the first time for this product approved for launch in overseas market, making it the first Chinese PD–1 monoclonal antibody drug approved for launch in Southeast Asia.	
4		Han Da Yuan (adalimumab injection)	This drug was approved for launch by the NMPA in December 2020, and is the first domestic adalimumab biosimilar with GMP certified production base approved by both China and Europe. Its approved indications include: (1) rheumatoid arthritis, (2) ankylosing spondylitis, (3) psoriasis, (4) uveitis.	
5		Su Ke Xin* (avatrombopag maleate tablets)	This drug was approved for launch by the NMPA in April 2020, and is the first oral drug approved for the treatment of thrombocytopenia related to chronic liver diseases in the world. Its approved indication is the selective thrombocytopenia treatment of adult patients with chronic liver disease undergoing diagnostic procedures or surgery. In addition, the NDA of the second indication of the drug (for the treatment of chronic immune thrombocytopenia (ITP) in adult patients with poor response from prior treatment) was accepted by the NMPA.	
6		Otezla* (apremilast tablets)	This drug was approved for launch by the NMPA in August 2021, and is the world's first oral phosphodiesterase-4 (PDE4) inhibitor for the treatment of plaque psoriasis. Its approved indication is treatment for adult patients with moderate to severe plaque psoriasis who are suitable for phototherapy or systematic treatment.	
7		Akynzeo* (netupitant and palonosetron hydrochloride capsules)	This drug was approved for launch by the NMPA in August 2019, and is the world's first dual- channel fixed- dose combination oral compound preparation that simultaneously blocks both NK-1 receptors and 5-HT3 receptors. Its approved indication is prevention of acute and delayed nausea and vomit arising from highly emetogenic chemotherapy in adult patients.	
8		Pei Jin* (telpegfilgrastim injection)	This drug (new generation of long-lasting recombinant human granulocyte colony-stimulating factor product) was approved for launch by the NMPA in June 2023, and is classified as class 1 new drug in China. Its approved indication is reduction of occurrence of infections expressed in form of febrile neutropenia in patients with non-myeloablative cancer when receiving myelosuppression anti-tumor drug treatment which can easily cause febrile neutropenia.	
9		Fu Ke Shu* (anti-human T-lymphocyte rabbit immunoglobulin)	The product is a polyclonal antibody inhibitor. Its approved indication in Chinese mainland include the prevention of acute transplant rejection in patients receiving solid organ transplantation (SOT) and the treatment of acute rejections if the therapeutic effect of corticosteroid treatment has proven to be unsatisfactory.	
10		Yi Kai Da (ejilunsai injection, a product of Fosun Kite, a joint venture)	This product was approved for launch by the NMPA in June 2021, and is the first CAR-T cell therapy product approved for domestic launch. Its approved indications include (1) treatment of adult patients with relapsed or refractory large B-cell lymphoma (r/r DLBCL) after prior second-line or higher systemic therapy, (2) treatment of adults patients with large B-cell lymphoma (r/r LBCL) refractory to first-line immunochemotherapy or relapsing within 12 months of first-line immunochemotherapy (conditional approved).	

No.	Therapeutic area	Product name	Description of product	Photo of product
11	Metabolism and alimentary system	Atomolan (preparations for glutathione series)	This series include Atomolan (glutathione tablets) and Atomolan (glutathione for injection), both of them are class B drug under National Medical Insurance Drugs Catalogue and the basic medicine for liver diseases. In particular, Atomolan (glutathione tablets) are the first glutathione oral preparations in China, while Atomolan (glutathione for injection) is the first generic drug of its kind in China.	
12		Pang Bi Fu* (etelcalcetide hydrochloride injection)	This drug (new generation of calcimimetic) was approved for launch by the NMPA in May 2023. Its approved indication is treatment of secondary hyperparathyroidism (SHPT) of adult patients receiving hemodialysis treatment for chronic kidney disease (CKD).	
13		Bei Wen* (keverprazan hydrochloride tablets)	This drug (potassium ion competitive acid blocker (P-CAB)) was approved for launch by the NMPA in February 2023. As of the date of this report, it is the only approved P-CAB with DU/RE double indications and is classified as class 1 new drug in China. Its approved indications include duodenal ulcer (DU) and reflux esophagitis (RE).	
14	Anti-infection	Antimalarial series such as artesunate	This series include Artesun and Argesun (artesunate for injection), SPAQ-CO (sulfadoxine pyrimidine dispersible tablets + amodiaquine dispersible tablets) and the D-ARTEPP series (dihydroartemisinin- piperaquine phosphate tablets) etc. In particular, artesunate is the first class 1 new drug in China. As of December 2023, the Group has a total of 33 antimalarial drugs (including APIs and preparations) with WHO PQ. The second generation of artesunate for injection (Artesun) obtained WHO PQ in June 2023, and was registered and approved in 21 countries. As of December 2023, the Group has supplied over 340 million doses of artesunate for injection across the world.	
15		Jie Bei An* (azvudine tablets)	This drug (broad-spectrum RNA virus inhibitor) obtained the emergency conditional approval from the NMPA in July 2022 for use in treatment of adult patients suffering moderate COVID-19. This drug's approved indication also includes treatment for adult HIV-1 patients (AIDS patients) with high viral load in combination with other reverse transcriptase inhibitors (conditionally approved).	
16		Comirnaty* (mRNA COVID-19 vaccine)	Comirnaty (mRNA COVID-19 vaccine BNT162b2), Comirnaty (Original/Omicron BA.4/BA.5-adapted bivalent vaccine) and dosage forms for adults of Comirnaty XBB1.5 (Omicron XBB1.5-adapted) have been officially registered both in Hong Kong and Macau. The related dosage forms for children (for vaccination of children aged 5 to 11) and infants (for vaccination of infants of 6 months to 4 years old) have been authorized for emergency use (for local government vaccination programs only) in Hong Kong and special license import in Macau.	
17	Rabies prophylaxis	Rabies vaccine (Vero cell) for human use	Rabies vaccine (Vero cell) for human use was approved for launch by the NMPA in September 2016, with a specification of 1.0ml per vial, 1.0ml per human dose, and an approved indication of rabies prophylaxis. In the production of rabies vaccine (Vero cell) for human use, Fosun Aleph uses serum-free medium at the virus culture stage. CTN-1V strain was used as its virus strain for production, whose gene sequence is closer to that of the street strain of prevailing rabies virus, and has better immune protection effect. In March 2024, the NDA of rabies vaccine (VERO cell) for human use (freeze dried) independently developed by the Group was approved by the NMPA.	
18	Influenza prophylaxis	Influenza virus lysate vaccine	Influenza virus lysate vaccine is in adult dosage form and paediatric dosage form. The adult dosage form was approved for launch by the NMPA in November 2005, with a specification of 0.5ml/vial in pre-filled form; and the paediatric dosage form was approved for launch by the NMPA in July 2009, with a specification of 0.25ml/vial in pre-filled form. The approved indication of the product is prevention of influenza caused by a parent strain of virus. The product is made from influenza A1, influenza A3 and influenza B virus strains as recommended by the WHO and approved by the NMPA. The product contains more active ingredient haemagglutinin than the standard required by the Chinese Pharmacopoeia to ensure its effectiveness.	
19	Cardiovascular system	Heparin series preparations	This series include enoxaparin sodium injection, heparin sodium injection, low molecular weight heparin for injection and nadroparin calcium injection etc. Heparin series preparations are mainly used for the prevention of thrombosis or treatment of embolism. The Group has the full industry chain supply capability for low-grade and high- grade heparin products, low-molecular heparin raw materials and preparations, and the sales network covers China, the United States, South America, Europe, the Middle East and Southeast Asia.	
20		Yi Xin Tan* (sacubitril valsartan sodium tablets)	The drug was approved for launch by the NMPA in August 2023, and is a first-line drug for the treatment of heart failure and hypertension in an innovative crystalline form. Its approved indication is the treatment of essential hypertension. It can also be used in adult patients with chronic heart failure (NYHA class II-IV, LVEF≤40%) with reduced ejection fraction to mitigate risks of cardiovascular death and hospitalisation for heart failure.	

* Being the license-in innovative drug (product) of the Group.

II. SEGMENT PERFORMANCE OVERVIEW

1. Pharmaceutical manufacturing

Performance summary

During the Reporting Period, the pharmaceutical manufacturing segment of the Group generated revenue of RMB30,080 million, representing a year-on-year decrease of 2.00%. In particular, excluding COVID-related products, the revenue of the pharmaceutical manufacturing segment of the Group recorded a year-on-year increase of 13.47%, which was mainly due to the revenue from new products and sub-new products (excluding COVID-related products) maintaining rapid growth.

During the Reporting Period, the segment results of the pharmaceutical manufacturing segment amounted to RMB2,134 million, representing a year-on-year decrease of 43.77%, and segment profits amounted to RMB1,974 million, representing a year-on-year decrease of 42.26%, which was mainly due to: (1) the impacts of COVID-related products: ① COVID-related products and assets with indications of impairment were disposed, and impairment provisions were made, totaling approximately RMB569 million; ② with a significant decline in revenue from COVID-related products, profits decreased accordingly; ③ there were still expenses arising from the team, medical and market activities for COVID-related operations during the Reporting Period; (2) as a result of the impacts of the costs and amortisation of the acquisition of Cenexi by Gland Pharma, and operating losses of Cenexi, net profits recorded a year-on-year decrease; (3) the investment in commercialization preparations before the launch of serplulimab injection (PD-1 inhibitor) in the U.S. market.

During the Reporting Period, the R&D expenditures in the pharmaceutical manufacturing segment of the Group amounted to RMB5,172 million, representing a year-on-year increase of 1.47%. R&D expenditures in the pharmaceutical manufacturing segment accounted for 17.19% of the revenue from the pharmaceutical manufacturing segment. In particular, R&D expenses amounted to RMB3,638 million, accounting for 12.09% of the revenue from the pharmaceutical manufacturing segment.

Revenue from major products of the Group in the major therapeutic areas during the Reporting Period is set out in the following table:

Unit: million Currency: RMB

Major therapeutic area	2023	2022	Year-on-year increase on the same basis (%)
Major products of anti-tumor and immune modulation *(Notes 1, 5)*	**7,638**	5,535	37.99
Major products of anti-infection *(Notes 2, 5)*	**4,340**	8,582	–49.43
Major products of metabolism and alimentary system *(Note 5)*	**2,824**	2,883	–2.05
Major products of cardiovascular system *(Notes 3, 5)*	**1,677**	2,115	–20.71
Major products of central nervous system *(Notes 4, 5)*	**1,184**	1,003	18.05
Major products of APIs and intermediate products *(Note 5)*	**1,271**	1,248	1.84

Note 1: The revenue from major products of anti-tumor and immune modulation recorded a year-on-year increase of 37.99%, mainly due to the revenue growth of Han Si Zhuang (serplulimab injection), Han Qu You (trastuzumab injection) and trastuzumab drug substance, and Su Ke Xin (avatrombopag maleate tablets), and the revenue contribution from new products, namely Otezla (apremilast tablets), Han Bei Tai (bevacizumab injection) and Akynzeo (netupitant and palonosetron hydrochloride capsules).

Note 2: The revenue from major products of anti-infection recorded a year-on-year decrease of 49.43%, mainly due to the combined effect of the significant decrease in the sales volume of COVID- related products (Comirnaty (mRNA COVID-19 vaccine) and Jie Bei An (azvudine tablets)), and the revenue growth contribution from Cravit (levofloxacin tablets and levofloxacin injection).

Note 3: The revenue from major products of cardiovascular system recorded a year-on-year decrease of 20.71%, mainly due to the decline in sales of heparin series preparations in the overseas market.

Note 4: The revenue from major products of central nervous system recorded a year-on-year increase of 18.05%, mainly due to the sales growth of Chang Tuo Ning (penehyclidine hydrochloride injection).

Note 5: Major products of anti-tumor and immune modulation comprise: Han Qu You (trastuzumab injection) and trastuzumab drug substance, Han Li Kang (rituximab injection), Han Si Zhuang (serplulimab injection), Su Ke Xin (avatrombopag maleate tablets), Ke Sheng (Xihuang capsules), Kai Lai Zhi (epinastine hydrochloride capsules), Akynzeo (netupitant and palonosetron hydrochloride capsules), Han Da Yuan (adalimumab injection), Han Bei Tai (bevacizumab injection), Otezla (apremilast tablets), Yi Luo Ze/Tu Mei Si (pemetrexed disodium for injection), Zhao Hui Xian (bicalutamide tablets), Fu Ke Shu (anti-human T-lymphocyte rabbit immunoglobulin), ondansetron, oxaliplatin, paclitaxel, Di Kai Mei (sorafenib tosylate tablets) and Pei Jin (telpegfilgrastim injection).

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

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

Major products of cardiovascular system comprise: heparin series preparations, Bang Tan (telmisartan tablets), Ya Ni An (amlodipine besilate tablets), Bang Zhi (pitavastatin calcium tablets), Ke Yuan (calcium dobesilate capsules), You Di Er (alprostadil dried emulsion for injection), Xin Xian An (meglumine adenosine cyclophosphate for injection), Su Ka Xin (indapamide tablets), Yi Xin Tan (一心坦) (sacubitril valsartan sodium tablets) and Run Mo De Lin (treprostinil injection).

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

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

* The data of 2022 was restated according to the basis of 2023.

In 2023, there were a total of 50 preparations or series of products in the pharmaceutical manufacturing segment of the Group that each recorded sales of over RMB100 million, a net increase of 3 items compared to 2022, and details are as follows:

Currency: RMB

Sales during the Reporting Period	Number	Preparation varieties or series
Over 1 billion	4	Han Qu You (trastuzumab injection), Han Li Kang (rituximab injection), Han Si Zhuang (serplulimab injection), heparin series preparations
500 million to 1 billion	4	Su Ke Xin (avatrombopag maleate tablets), antimalarial series such as artesunate, Jie Bei An (azvudine tablets), You Li Tong (febuxostat tablets)
300 million to 500 million	8	8 varieties including rabies vaccine (VERO cell) for human use (non-freeze dried), Atomolan (glutathione tablets), Chang Tuo Ning (penehyclidine hydrochloride injection), Cravit (levofloxacin tablets), animal insulin and its preparations
100 million to 300 million	34	34 varieties including Otezla (apremilast tablets), Akynzeo (netupitant and palonosetron hydrochloride capsules), Han Da Yuan (adalimumab injection), Han Bei Tai (bevacizumab injection), Wan Su Jing (empagliflozin tablets), Qi Wei (quetiapine fumarate tablets), Pai Shu Xi Lin (piperacillin sodium and tazobactam sodium for injection), anti-tuberculosis series

Important events

- *Two new indications for serplulimab injection (PD-1 inhibitor) and its commercialization progress in overseas markets*

  During the Reporting Period, Han Si Zhuang (serplulimab injection), the first self-developed innovative PD-1 inhibitor of the Group, had been approved for two new indications for extensive-stage small cell lung cancer (ES-SCLC) and unresectable locally advanced or metastatic esophageal squamous cell carcinoma (ESCC) in Chinese mainland and became the world's first monoclonal antibody drug targeting PD-1 approved for the first-line treatment of extensive-stage small cell lung cancer (ES-SCLC). As at the end of the Reporting Period, four indications of Han Si Zhuang have been approved in Chinese mainland, i.e. microsatellite instability-high (MSI-H) solid tumors, squamous non-small cell lung cancer (sqNSCLC), extensive-stage small cell lung cancer (ES-SCLC) and esophageal squamous cell carcinoma (ESCC). In addition, the NDA of Han Si Zhuang (serplulimab injection) in combination with pemetrexed and carboplatin for the first-line treatment of patients with epidermal growth factor receptor (EGFR) sensitive mutation-negative and anaplastic lymphoma kinase (ALK) gene rearrangement-negative locally advanced or metastatic non-squamous non-small cell lung cancer (NSCLC) was accepted by the NMPA in December 2023. This is the fifth indication of Han Si Zhuang (serplulimab injection) applied for NDA in Chinese mainland.

  During the Reporting Period, serplulimab injection (PD-1 inhibitor) had been approved for launch in overseas market for the first time. With its indication for treatment of extensive-stage small cell lung cancer (ES-SCLC) approved by the Indonesian Food and Drugs Authority (BPOM), serplulimab injection (PD-1 inhibitor) completed its first round of overseas distribution in January 2024, making it the first Chinese PD-1 monoclonal antibody drug approved for launch in Southeast Asia. Moreover, its marketing authorization application (MAA) in the EU had been accepted.

  Based on the differentiated development strategy of "Combo+Global" (combination therapy + globalization), the Group proactively facilitated the synergy between Han Si Zhuang (serplulimab injection) and other self-owned pipeline products, and approval have been obtained for clinical trials in China, the United States and other countries and regions. Several clinical trials of Han Si Zhuang and relevant combined therapies have been orderly commenced across the world, covering indications such as lung cancer, esophageal cancer, head and neck squamous cell carcinoma, colorectal cancer and gastric cancer. In particular, the head-to-head bridging trial comparing to first- line standard of care with Atezolizumab for extensive-stage small cell lung cancer (ES-SCLC) had entered clinical enrollment stage in the United States. The first patient dosing in the phase III of the international multi-center clinical study of limited-stage small cell lung cancer (LS-SCLC) has also been completed in Chinese mainland, the United States, Australia and the EU. In addition, with its outstanding performance, serplulimab injection (PD-1 inhibitor) for the treatment of small cell lung cancer (SCLC) was successively granted Orphan Drug Designation by the U.S. FDA and the European Commission. In December 2023, relevant production lines of serplulimab injection (PD-1 inhibitor) passed the GMP on-site inspection by Health and Youth Care Inspectorate, the health regulatory institution of Holland, indicating that these production facilities are in compliance with EU GMP standards.

With the successive approvals for various indications of serplulimab injection (PD-1 inhibitor, trade name in Chinese mainland: Han Si Zhuang) in China and the smooth progress of overseas clinical trials, the Group will continue to promote the global commercialization of this product and enhancing the accessibility of such product. As at the end of the Reporting Period, Han Si Zhuang had completed online bidding in all provinces across Chinese mainland. It was included in the customized commercial insurance catalogue in various cities, including Shanghai, Ningbo and Zhuhai. As at the end of the Reporting Period, a marketing team for Han Si Zhuang effectively covered approximately 36,000 doctors under different departments such as lung tumor and gastrointestinal tumor in approximately 1,800 hospitals across China through its lean management mode. During the Reporting Period, revenue from such product exceeded RMB1.1 billion. In terms of overseas commercialization, Shanghai Henlius, a subsidiary, reached agreements with KGbio in respect of serplulimab injection (PD-1 inhibitor) during the Reporting Period. On the basis of 10 countries in Southeast Asia under the existing cooperation scope, Shanghai Henlius further expanded the cooperation to 12 countries in regions of the Middle East and North Africa. In October 2023, Shanghai Henlius also entered into a license agreement with Intas, granting Intas the exclusive rights to commercialize serplulimab injection (PD-1 inhibitor) in agreed European zone and India and other rights. In addition, the Group continued to facilitate the works for the commercialization of the product in the market of the United States, established its own U.S. innovative drug team covering medical affairs, market access, sales and other functions, and reached the cooperation with Syneos Health to provide support for the commercialization of the product in the United States.

- *Approval for second-line new indication for CAR-T cell therapy products and other progress*

  During the Reporting Period, a second-line indication of Yi Kai Da (ejilunsai injection) of Fosun Kite, a joint venture, for the treatment of adult patients with large B-cell lymphoma (r/r LBCL) that is refractory to first-line immunochemotherapy or that relapses within 12 months of first-line immunochemotherapy was approved in Chinese mainland. In September 2023, the second-line indication of Yi Kai Da (ejilunsai injection) was approved for launch in Macau.

  Yi Kai Da, the first CAR-T cell therapy product approved for domestic launch, is authorized to carry out the product's localized production in China following the technology transfer of Yescarta, a CAR-T cell therapy product, from Kite Pharma. Its first approved indication is the treatment of adult patients with relapsed or refractory large B-cell lymphoma (r/r LBCL) after prior second-line or higher systemic therapy. As at the end of the Reporting Period, benefitting over 600 patients with lymphoma in total, Yi Kai Da has been included in over 100 urban customized commercial health insurances and over 75 commercial insurances, while the number of treatment centers on record exceeded 160, covering more than 25 provinces and municipalities across China. In January 2024, Yi Kai Da introduced an innovative payment plan based on therapeutic effects in Chinese mainland, exploring a new path for payment mode of high-value innovative drugs in China.

According to a multi-center real-world research data in China released in June 2023, the real-world efficacy of Yi Kai Da on patients with relapsed refractory non- Hodgkin's lymphoma in Chinese mainland was in line with that of global patients. The 12-month overall survival rate was 84.3%, the best overall response rate was 83.2%, the best complete response rate was 58.4%, performing better in terms of safety. The survival analysis data of ZUMA-7 clinical trial research of Yescarta was published in New England Journal of Medicine (impact factor: 176.082), a medical journal. According to the results of the research: the death rate of r/r LBCL second- line treatment using ejilunsai injection reduced by 27.4% as compared to that of standard second-line treatment (SOC). Ejilunsai injection significantly extended the overall survival of patients.

As at the date of this report, the third indication of Yi Kai Da (for the treatment of adult patients with relapsed or refractory inert non-Hodgkin's lymphoma (r/r iNHL) containing follicular lymphoma and marginal zone lymphoma), and the first indication (for the treatment of adult patients with relapsed or refractory mantle cell lymphoma (r/r MCL) after prior second-line or higher systemic therapy) and second indication (relapsed or refractory adult precursor B-cell acute lymphoblastic leukaemia (adult r/r ALL)) of Fosun Kite's second CAR-T cell therapy product FKC889 were at the bridging clinical trial stage in Chinese mainland.

- *Progress of other pipeline products*

The Group continued to optimize its R&D system. With the improving R&D strategies, the Group focused on developing the four core technology platforms, namely small molecule, antibody/ADC, RNA and cell therapy, and continued to advance the R&D and launch progress of various innovative products. As at the date of this report, several self-developed, co-developed and license-in products of the Group have successively entered the key clinical/approval stage.

During the Reporting Period, the phase III clinical research of FS-1502 (recombinant HER2 humanized monoclonal antibody-monomethyl auristatin F conjugate for injection), an innovative antibody drug conjugate originally license-in and subsequently independently developed by the Group, for the treatment of HER2 positive locally advanced or metastatic breast cancer that cannot be removed through surgery has commenced in Chinese mainland. HLX208, a molecular inhibitor targeting human BRAF protein V600E mutated cells license-in by the Group, for the treatment of BRAF V600E mutated langerhans cell histiocytosis (LCH) and Erdheim-Chester disease (ECD) in adults was included in the breakthrough therapy drug program in April 2023. The phase III clinical research of ET-26 (methoxyethyl etomidate hydrochloride for injection), which is jointly invented and developed by the Group and West China Hospital of Sichuan University, for anesthesia induction in adults has commenced in Chinese mainland in October 2023. In addition, the clinical trial applications of the Group's HLX42 for injection (antibody-drug conjugate targeting EGFR with novel DNA topoisomerase I inhibitor) and HLX43 for injection (antibody-drug conjugate targeting PD-L1 with novel DNA topoisomerase I inhibitor) were approved by the NMPA and the U.S. FDA, respectively. In particular, HLX42 for the treatment of patients with advanced or metastatic EGFR-mutated non-small cell lung cancer whose disease has progressed on a third-generation EGFR tyrosine kinase inhibitor has been granted the Fast Track Designation by the U.S. FDA in December 2023.

During the Reporting Period, the phase III clinical research of MEK1/2 selective inhibitor FCN-159 independently developed by the Group for the treatment of neurofibromatosis type I in adults has commenced in Chinese mainland in July 2023, and its two indications, namely histiocytic tumors and treatment for adult patients with NF1 (neurofibromatosis type I) related plexiform neurofibroma who are unable to undergo surgery or encounter postoperative residual/recurrence, have successively included in the breakthrough therapy drug program in April and July 2023. The phase II clinical trial application of FCN-159 for treatment of langerhans cell histiocytosis in children was approved by the NMPA in March 2023.

In addition, as at the date of this report, the NDAs of several pipeline drugs, including DaxibotulinumtoxinA botulinum toxin (project code: RT002) and tenapanor hydrochloride tablets (project code: Tenapanor) was accepted in Chinese mainland. The BLA of trastuzumab injection was accepted in the U.S.

During the Reporting Period, the Group continued to promote the R&D and industrialization of vaccines in its pipeline. In April 2023, the 13-valent pneumococcal conjugate vaccine, which is independently developed by the Group, completed patient enrollment for phase III clinical trial. In March 2024, rabies vaccine (Vero cell) for human use (freeze dried), which is independently developed by the Group, was approved for launch in Chinese mainland. As at the date of this report, Fosun Antejin successively received the Drug Manufacturing Certificate (《藥品生產許可證》) and the Drug Operating Certificate (《藥品經營許可證》), laying a foundation for its subsequent commercialization of pipeline vaccine products.

At the same time, during the Reporting Period, the established medicines manufacturing & supply business of the Group continued to optimize the life cycle management of established medicines on the product end, focused on the independent R&D of first generic drugs, difficult and complex preparations and improved new drugs, grasped highly fit expansion opportunities, enriched pipelines, improved the capability and efficiency of the system, and actively promoted the overseas commercialization of preparations. During the Reporting Period, a total of 29 generic drugs varieties of the Group were approved for launch including import drug licenses and 6 generic drugs passing consistency evaluation. In particular, osimertinib mesylate tablets and crizotinib capsules of Wanbang Pharma, a subsidiary, are the first generic drugs approved for launch in Chinese mainland. Li Tuo Ning (力妥寧) (urapidil hydrochloride injection) of Avanc Pharma, a subsidiary, is the first domestic urapidil hydrochloride product passing consistency evaluation. Tranexamic acid tablets of Hunan Dongting and chlorpheniramine maleate injection of Wanbang Pharma are the first products passing consistency evaluation among similar products in China. In addition, a total of 13 generic drugs preparations varieties of Gland Pharma, a subsidiary, were approved for launch by the U.S. FDA.

- *Integrated production and streamlined operation*

  In order to further improve the competitiveness of the production system of pharmaceutical manufacturing business, improve operational efficiency and implement the internationalization strategy, the Group continued to streamline and discover its internal competitive production capacity, deepened the integration of the production side, realized the rapid transformation of products through the construction of API and preparation bases and engineering technology centers, and built up internationally competitive star production lines and production bases.

  The Group continued to consolidate production lines on manufacture end and build regional production centers to gather production capacity and achieve the integration of APIs and preparations, further improved production and operation efficiency, and expanded production cost advantages. During the Reporting Period, the Group built regional production centers in Xuzhou and Chongqing, continuously advanced the construction of Xingnuo Pharma API Base, Hunan Dongting API Base and Chongqing API Base, and vertically integrated the APIs and preparation industry chains, realizing intensive mass production capacity and covering various preparations and disease areas. The Group expedited the construction of Shanghai Henlius's Songjiang Base to continuously expand the production capacity. As at the end of the Reporting Period, the trial production of the first tranexamic acid production line in Hunan Dongting API Base had commenced; the category process validation in Chongqing Changshou API Base had been conducted; febuxostat API, the first product in Xingnuo Pharma API Base (transferred to Xingnuo Pharma from Wanbang Jinqiao), had passed the inspections on drug production license, GMP and registration verification and commenced commercial production; the transfer of relevant products from Xuzhou Industrial Park Preparation Base had commenced, and new products will be continuously introduced with increased production capacity in the subsequent stage; the installation works of drug substance and preparations building in Shanghai Henlius's Songjiang Base had completed and entered the commissioning stage. In addition, the Group commenced the construction of the Cote d'Ivoire park integrating drug R&D, manufacturing, logistics and delivery located near Abidjan, aiming to realize local drug manufacturing and supply in Africa.

  At the same time, the Group continued to promote the certification of international production quality standards to consolidate the foundation for the exportation of preparations. The Group through different means including gap analysis, special training, reform and upgrade etc., continued to improve quality systems based on the domestic and international requirements, and enhanced the quality risk awareness and quality management capabilities of all employees. During the Reporting Period, the second generation of artesunate injection (Argesun) independently developed by the Group passed the WHO PQ, and became the first artesunate injection with one-step preparation passing the WHO PQ. As at the end of the Reporting Period, all commercial production lines of the domestic subsidiaries under the pharmaceutical manufacturing segment of the Group obtained domestic GMP certifications. During the Reporting Period, those production lines received over 100 official inspections as well as official sample tests on over 600 batches, all of which were passed smoothly, and 9 production lines had passed GMP certification in major regulatory markets such as the U.S. and the EU.

In addition, during the Reporting Period, the Group continued to advance "Excellence Operation and Management", and further upgraded to the FES management system based on FOPEX. The Group formulated the FES/FOPEX manual to guide enterprises in establishing lean operation system. Through in-depth analysis and study of each production stage of key products, the Group implemented optimization measures to improve processes, enhance quality, reduce cost, and enhanced product delivery capability. Focusing on energy saving and consumption reduction, the Group reduced energy consumption and carbon emission, and continued to promote green operation. Focusing on revenue growth and R&D efficiency improvement, the Group continued to deepen informatization and intelligent transformation. In respect of supply chain, through inventory optimization, the Group can ensure the timely, effective delivery of customer orders, thus effectively secure the stable operation of inventory plans and production plans.

- *Progress in relation to the 2023 National Medical Insurance Drugs Catalogue*

  In December 2023, certain domestic innovative drugs licensed-in by the Group were included in the National Medical Drugs Catalogue (officially executed in January 2024) through negotiation, which further enhanced the accessibility and affordability of drugs for relevant diseases in Chinese mainland, benefitting more domestic patients. The abovementioned domestic innovative drugs include: Bei Wen (keverprazan hydrochloride tablets), the first potassium ion competitive acid blocker (P-CAB) independently developed by China, and Pei Jin (telpegfilgrastim injection), a long-lasting recombinant human granulocyte colony-stimulating factor product.

R&D innovation

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

In order to enhance scientific and innovation strategy and improve R&D efficiency, the Company has established the Scientific Advisory Board (SAB) at group level during the Reporting Period. Serving as the external think tank, the SAB will assist the management of the Group in formulating and optimizing the medium- to long-term scientific innovation and R&D strategies, and provide additional strategic guidelines and insights. As at the date of this report, the SAB has a total of 12 members, comprising globally renowned academicians, scientists and clinical experts with outstanding academic attainments from China and overseas, with their areas of expertise covering tumors, cardiovascular, immunology and other disease fields, involving clinical medicine, basic scientific study, drug R&D, regulatory science and other aspects. The SAB reviewed, evaluated and advised on the overall R&D strategic plannings, pipelines under development and specific projects of the Group. They also put forward targeted advices on the resource investment and external cooperation models for preliminary R&D projects, as well as the implementation paths of the two major strategies of internationalization and innovation, which served as reference for the Group in making decisions.

Through independent R&D, cooperative development, license-in projects and in-depth incubation, the Group focused on core therapeutic areas such as oncology (solid tumors and hematological tumors), autoimmunity, central nervous system, chronic disease (liver disease/metabolic disease/kidney disease) and mainly strengthened core technology platforms such as small molecule, antibody/ADC, cell therapy and RNA, creating an open and global innovative R&D system. The Group also actively explored cutting-edge technologies such as cancer vaccine and AI drug R&D to continuously enhance its core R&D capabilities and pipeline value, and facilitate the R&D and commercialization of more FIC (First-in-class) and BIC (Best-in-class) products. During the Reporting Period, the global R&D center integrated resources to establish TRC (Translational Research Center), which aims to strengthen cooperation with preliminary R&D institutions such as scientific research institutes, promote the transformation of original innovation, and promote more high-quality innovative products to enter clinical stage.

During the Reporting Period, 6 innovative drugs with a total of 8 indications and 29 generic drugs varieties of the Group (including import drug licenses but excluding 13 generic drugs preparations approved for launch by the U.S. FDA of the Gland Pharma) were approved for launch. 5 innovative drugs/biosimilars with a total of 7 indications[3] and 64 generic drugs varieties (including import drug licenses but excluding overseas applications of Gland Pharma) had applied for launch. In addition, a total of 20 innovative drugs/biosimilars (indications) were approved for clinical trials (calculated by indications) during the Reporting Period. During the Reporting Period, a total of 206 patents had been applied for in the pharmaceutical manufacturing segment of the Group, including 5 U.S. patent applications and 11 PCT applications; 74 licensed invention patents authorization were obtained.

In addition, during the Reporting Period, the clinical data of several innovative drugs of the Group was disclosed at domestic and overseas medical academic meetings such as the meetings of American Society of Clinical Oncology (ASCO), Chinese Society of Clinical Oncology (CSCO), European Hematology Association (EHA), and European Society for Medical Oncology (ESMO).

As at the end of the Reporting Period, there were over 70 major pipeline projects of the Group on innovative drugs and biosimilars (calculated by indications); for details on major pipeline drug projects of the Group, please refer to Table 3 to Table 6.

[3] Including the biologics license application (BLA) for trastuzumab injection, which is independently developed by the Group, in the U.S. submitted by Accord BioPharma Inc., a partner of the Group.

Table 3 — Small molecular innovative drugs under independent development

No.	Therapeutic area	Drug name/code	Indications	R&D progress in Chinese mainland as at the end of the Reporting Period	R&D progress in other countries as at the end of the Reporting Period
1	Anti-tumor	FCN–338	Hematological malignancies	Phase I clinical trial	Phase I clinical trial (U.S.)
2			Relapsed or refractory B-cell lymphoma	Phase I clinical trial	
3			Treatment of myeloid malignancies in combination with azacitidine or chemotherapy	Phase II clinical trial	—
4		FCN-159[Note 1]	Neurofibromatosis type I	Phase III clinical trial	Phase II clinical trial (international multi-center)
5			Low-grade gliomas	Phase II clinical trial	—
6			Histiocytic tumors	Phase II clinical trial	—
7			Langerhans cell histiocytosis in children	Phase II clinical trial	—
8		SAF-189	Non-small cell lung cancer (ROS1+)	Phase II clinical trial	Approved for clinical trial (U.S.)
9			Non-small cell lung cancer (ALK+)	Phase III clinical trial	
10		FCN-437c	Breast cancer 1L	Phase III clinical trial	—
11			Breast cancer 2L	NDA	
12		YP01001	Advanced solid tumor	Phase I clinical trial	—
13		FH-2001	Advanced malignant solid tumor	Phase Ib/II clinical trial	—
14		XS-03 tablets	RAS-mutated advanced solid tumor	Phase I clinical trial	—
15	Others	ET-26	Anesthesia	Phase III clinical trial	—
16		FCN-159	Arteriovenous malformations	Phase II clinical trial	—
17		FCN-016 eyedrop	Glaucoma or ocular hypertension	Approved for clinical trial	—
18		SZEY-2108 for injection	Carbapenem-resistant Enterobacteriaceae (CRE) infection	Phase I clinical trial	—
19		XH-S002 powder	Secondary prevention of ischemic stroke and transient ischemic attack	Phase I clinical trial	—
20		XH-S003 capsules	1gA nephropathy and other glomerular diseases with abnormal complement activation	Approved for clinical trial[Note 2]	Phase I clinical trial (Australia)

Note 1: Two indications of FCN-159 tablets, i.e. treatment of histiocytic tumors and treatment for adult patients with NF1 (neurofibromatosis type I) related plexiform neurofibroma that are inoperable or residual/recurrent, were included in the breakthrough drug therapy program in April 2023 and July 2023, respectively.

Note 2: In March 2024, Phase I clinical studies of XH-S003 capsules for the treatment of IgA nephropathy and other glomerular diseases with abnormal complement activation were initiated.

Table 4 — Biopharmaceutical innovative drugs under independent development

No.	Therapeutic area	Drug name/code	Indications	R&D progress in Chinese mainland as at the end of the Reporting Period	R&D progress in other countries as at the end of the Reporting Period
1	Anti-tumor	Han Si Zhuang (serplulimab injection)	Microsatellite instability-high (MSI-H) solid tumor	Approved for launch	—
2		Han Si Zhuang (serplulimab injection) + chemotherapy	Squamous non-small cell lung cancer (sqNSCLC)	Approved for launch	Phase III clinical trial (international multi-center)
3			Extensive-stage small cell lung cancer (ES-SCLC)	Approved for launch	Marketing authorization application (EU) Bridging trial (U.S.)
4			Esophageal squamous cell carcinoma (ESCC)	Approved for launch	—
5			Non-squamous non-small cell lung cancer (NSCLC)	NDA	—
6			Neo-/adjuvant treatment of GC	Phase III clinical trial	—
7		Han Si Zhuang (serplulimab injection) + chemotherapy + radiotherapy	Limited-stage small cell lung cancer (LS-SCLC)	Phase III clinical trial (international multi-center)	
8		Han Si Zhuang (serplulimab injection) + Han Bei Tai (bevacizumab injection)	Metastatic colorectal cancer (mCRC)	Phase II/III clinical trial	—
9		Han Si Zhuang (serplulimab injection) + HLX07 (recombinant anti-EGFR humanized monoclonal antibody injection)	Recurrent or metastatic head and neck squamous cell carcinoma (HNSCC)	Phase II clinical trial	—
10			Squamous non-small cell lung cancer (sqNSCLC)	Phase II clinical trial	—
11		Han Si Zhuang (serplulimab injection) + HLX07 (recombinant anti-EGFR humanized monoclonal antibody injection) + Han Bei Tai (bevacizumab injection)	Hepatocellular carcinoma (HCC)	Approved for clinical trial	—
12		HLX26 (recombinant anti-LAG-3 humanized monoclonal antibody injection) + Han Si Zhuang (serplulimab injection)	Metastatic colorectal cancer (mCRC)	Phase II clinical trial	—
13		HLX07 (recombinant anti-EGFR humanized monoclonal antibody injection)	Solid tumor	Phase Ib/II clinical trial	Approved for clinical trial (U.S.)
14			Locally advanced or metastatic cutaneous squamous cell carcinoma (CSCC)	Phase II clinical trial	Approved for clinical trial (U.S.)
15		HLX26 (recombinant anti-LAG-3 humanized monoclonal antibody injection)	Solid tumor and lymphoma	Phase I clinical trial	—
16		HLX26 (recombinant anti-LAG-3 humanized monoclonal antibody injection) + Han Si Zhuang (serplulimab injection) + chemotherapy	Advanced non-small cell lung cancer (NSCLC)	Approved for clinical trial	—
17		HLX51 (recombinant anti-OX40 humanized monoclonal antibody for injection)	Solid tumor and lymphoma	Approved for clinical trial	—
18		HLX53 (anti-TIGIT Fc fusion protein)	Solid tumor and lymphoma	Phase I clinical trial	—
19		HLX60 (recombinant anti-GARP humanized monoclonal antibody injection)	Solid tumor and lymphoma	Phase I clinical trial	—
20		HLX42 (antibody-drug conjugate targeting EGFR with novel DNA topoisomerase I inhibitor)	Advanced/metastatic solid tumor	Approved for clinical trial	Approved for clinical trial (U.S.)[Note]
21		HLX43 (antibody-drug conjugate targeting PD-L1 with novel DNA topoisomerase I inhibitor)	Advanced/metastatic solid tumor	Phase I clinical trial	Approved for clinical trial (U.S.)
22		HLX60 (recombinant anti-GARP humanized monoclonal antibody injection) + Han Si Zhuang (serplulimab injection)	Solid tumor	—	Phase I clinical trial (Australia)
23		VT-101 injection	Advanced head and neck squamous cell carcinoma, melanoma, breast cancer and other solid tumors	Approved for clinical trial	Approved for clinical trial (U.S.)
24	Others	HLX04-O (recombinant anti-VEGF humanized monoclonal antibody injection)	Wet age-related macular degeneration (wAMD)	Phase III clinical trial	Phase III clinical trial (international multi-center)
25		GC101	Recessive dystrophic epidermolysis bullosa (RDEB)	Approved for clinical trial	—

Note: In December 2023, the injection of HLX42 for the treatment of patients with advanced or metastatic EGFR-mutated non-small cell lung cancer whose disease has progressed on a third-generation EGFR tyrosine kinase inhibitor was granted the Fast Track Designation by the U.S. FDA.

Table 5 — License-in innovative drugs

No.	Therapeutic area	Drug name/code	Indications	R&D progress in major licensed territory as at the end of the Reporting Period
1	Anti-tumor	FS-1502 (recombinant HER2 humanized monoclonal antibody-monomethyl auristatin F conjugate for injection)	HER2-positive locally advanced or metastatic breast cancer	Chinese mainland: Phase III clinical trial
2			HER2-expressing advanced malignant solid tumors	Chinese mainland: Phase II clinical trial
3		FS-1502 (recombinant HER2 humanized monoclonal antibody-monomethyl auristatin F conjugate for injection) in combination with serplulimab and/or chemotherapy	HER2-expressing advanced gastric cancer	Chinese mainland: Phase II clinical trial
4		HLX208[Note 1]	Solid tumor (metastatic colorectal cancer, non-small cell lung cancer, etc.), LCH and ECD	Chinese mainland: Phase II clinical trial
5		HLX208 (BRAF V600E inhibitor) + Han Si Zhuang (serplulimab injection)	BRAF V600E or BRAF V600 mutation-positive advanced solid tumor (non-small cell lung cancer)	Chinese mainland: Phase II clinical trial
6		HLX22 (anti-human epidermal factor receptor-2 (HER2) humanized monoclonal antibody injection) + Han Qu You (trastuzumab injection)	Gastric cancer (GC)	Chinese mainland: Phase II clinical trial
7		HLX22 (anti-human epidermal factor receptor-2 (HER2) humanized monoclonal antibody injection) + Han Si Zhuang (serplulimab injection) + Standardized treatment (trastuzumab in combination with chemotherapy)	Gastric cancer (GC)	Chinese mainland: Approved for clinical trial
8		SVN53-67/M57-KLH peptide vaccine (SurVaxM)	Primary diagnosis of glioblastoma	Chinese mainland: Approved for clinical trial
9	Metabolism and alimentary system	Keverprazan Hydrochloride tablets (trade name in Chinese mainland: Bei Wen (倍穩))	Duodenal ulcer (DU)	Chinese mainland: Approved for launch U.S.: Phase I clinical trial
10			Reflux esophagitis (RE)	Chinese mainland: Approved for launch U.S.: Phase I clinical trial
11		Tenapanor tablets (tenapanor hydrochloride tablets)	Irritable bowel syndrome with constipation (IBS-C)	Chinese mainland: Phase I clinical trial Hong Kong: Approved for launch
12	Anti-infection	Comirnaty vaccine[Note 2] (mRNA COVID-19 vaccine)	Prevention of disease (COVID-19) caused by novel coronavirus (SARS-CoV-2) infection	Hong Kong and Macau: Dosage forms for adults approved for launch (officially registered)
13		Pretomanid tablets	Extensively drug-resistant (XDR) or multidrug-resistant tuberculosis (MDR-TB) with treatment intolerance/low efficacy of treatment	China: NDA Hong Kong: Approved for launch
14		OP0595 (Nacubactam for injection) + cefepime or aztreonam	Treatment of adults infected by aerobic gram-negative bacteria with limited options	Chinese mainland: Phase I clinical trial
15	Central nervous system	Opicapone capsules	Parkinson syndrome	Chinese mainland: NDA
16	Blood system	Avatrombopag maleate tablets	Chronic immune thrombocytopenia (ITP)	Chinese mainland: NDA
17		Tenapanor tablets (tenapanor hydrochloride tablets)	Controlling hyperphosphatemia in adult patients receiving hemodialysis treatment for chronic kidney disease (CKD)	Chinese mainland: NDA
18		Fu Ke Shu (anti-human T-lymphocyte rabbit immunoglobulin)	Prevent graft-versus-host disease (GvHD) after the hematopoietic stem cell transplantation	Chinese mainland: Approved for clinical trial
19	Others	RT002 (DaxibotulinumtoxinA botulinum toxin)	Moderate to severe glabellar lines in adults (GL)	Chinese mainland: NDA
20			Cervical dystonia in adults (CD)	Chinese mainland: NDA
21		Fortacin spray (lidocaine prilocaine spray)	Premature ejaculation	Chinese mainland: Phase III clinical trial

Note 1: HLX208 for the treatment of BRAF V600E mutated langerhans cell histiocytosis (LCH) and Erdheim- Chester disease (ECD) in adults was included in the breakthrough therapy drug program in April 2023.

Note 2: Including Comirnaty BNT162b2 (mRNA vaccine BNT162b2), Comirnaty Bivalent Vaccine (mRNA COVID-19 Original/Omicron BA.4/BA.5-adapted bivalent vaccine) and Comirnaty XBB1.5 (Omicron-adapted XBB1.5).

Table 6 — Biosimilars under independent development

No.	Therapeutic area	Drug name/code	Indications	R&D progress in Chinese mainland as at the end of the Reporting Period
1	Anti-tumor	HLX11 (recombinant anti-HER2 domain II humanized monoclonal antibody injection)	Neoadjuvant treatment of BC	Phase III clinical trial (international multi-center)
2		HLX05 (recombinant anti-EGFR human/murine chimeric monoclonal antibody injection)	Metastatic colorectal cancer (mCRC) and metastatic head and neck squamous cell carcinoma (HNSCC)	Phase I clinical trial
3		HLX13 (recombinant anti-CTLA–4 fully human monoclonal antibody injection)	Melanoma, renal cell carcinoma, colorectal cancer, hepatocellular carcinoma, non-small cell lung cancer, malignant pleural mesothelioma and esophageal squamous cell carcinoma	Phase I clinical trial
			Liver cancer	Approved for clinical trial
4		HLX15 (recombinant anti-CD38 fully human monoclonal antibody injection)	Multiple myeloma (MM)	Phase I clinical trial
5	Metabolism and alimentary system	Mixed protamine zinc recombinant insulin lispro injection (50R)	Diabetes	NDA
6		Mixed protamine zinc recombinant insulin lispro injection (25R)	Diabetes	NDA
7		Semaglutide injection	Diabetes	Approved for clinical trial[Note]
8		Liraglutide injection	Diabetes	Phase III clinical trial
9		Insulin degludec injection	Diabetes	Phase I clinical trial
10	Others	HLX14 (recombinant anti-RANKL fully human monoclonal antibody injection)	Osteoporosis (OP)	Phase III clinical trial (international multi-center)

Note: In January 2024, the Phase I clinical trial of semaglutide injection for the treatment of diabetes in Chinese mainland was initiated.

As at the end of the Reporting Period, a total of 32 products of the Group that had passed or deemed to have passed the consistency evaluation of generic drugs were selected in nine batches of national centralized drug procurement bidding (for details, please refer to Table 7 — Products won tenders for centralized procurement). In particular, the ninth batch of centralized procurement was implemented since March 2024. For the existing products included in centralized procurement, the Group leveraged the advantages of multi-channel marketing and lean production to strengthen the life cycle management of centralized procurement products while sacrificing price for volume, and actively promoted incremental products to quickly enter the market through centralized procurement and effectively smoothen the impact of existing products participating in centralized procurement.

Table 7 — Products won tenders for centralized procurement

No.	Round selected	Name of drugs	Indications	Specifications	Charge unit
1	4+7 scope expansion	Amlodipine Besylate Tablets	High blood pressure	5mg*7 tablets/box	Box
2		Escitalopram Oxalate Tablets	Depression disorder	10mg*7 tablets/box, 10mg*10 tablets/box, 10mg*14 tablets/box	Box
3	The second round	Azithromycin Capsules	1. Acute pharyngitis and acute tonsillitis caused by streptococcus pyogenes; 2. sinusitis, otitis media, acute bronchitis and acute exacerbation of chronic bronchitis caused by susceptible bacteria; 3. pneumonia caused by streptococcus pneumoniae, haemophilus influenzae and mycoplasma pneumonia; 4. urethritis and cervicitis caused by chlamydia trachomatis and non-multidrug-resistant neisseria gonorrhoeae; 5. skin and underlying tissue infection caused by susceptible bacteria.	0.25g*6 capsules/box, 0.25g*4 capsules/box	Box
4		Clindamycin Hydrochloride Capsules	Infection caused by susceptible strains such as streptococci, staphylococci and anaerobic bacteria	0.15g*10 capsules/box	Box
5		Indapamide Tablets	Essential hypertension	2.5mg*10 tablets/box	Box
6		Isoniazid Tablets	Tuberculosis	0.1g*100 tablets/bottle	Bottle
7	The third round	Febuxostat Tablets	Long-term treatment of gout patients with hyperuricemia	40mg*16 tablets/box	Box
8		Quetiapine Fumarate Tablets	Manic episodes of schizophrenia and bipolar disorder	0.1g*10 tablets/strip*3 strips/box, 25mg*14 tablets/strip*2 strips/box, 0.2g*8 tablets/strip*2 strips/box	Box
9		Pitavastatin Calcium Tablets	Hypercholesterolemia and familial hypercholesterolemia	2mg*14 tablets/box	Box
10		Ethambutol Hydrochloride Tablets	Applicable to tuberculosis caused by treatment of mycobacterium tuberculosis in combination of other anti-tuberculosis drugs. It can also be used for the treatment of tuberculous meningitis and atypical mycobacterium infection	0.25g*50 tablets/bottle, 0.25g*100 tablets/bottle	Bottle
11		Memantine Hydrochloride Tablets	Moderate to severe Alzheimer 's dementia	10mg*14 tablets/box	Box
12	The fourth round	Telmisartan Tablets	Essential hypertension	40mg*8 tablets/strip*4 strips/box	Box
13		Empagliflozin Tablets	Type 2 diabetes	10mg*10 tablets/strip*1 strip/box	Box
14		Calcium Dobesilate Capsules	1. Treatment of microangiopathy: Diabetic microangiopathy — retinopathy and glomerulosclerosis (Kimmerstiel-Wilson syndrome); microvascular injury — accompanying with increased capillary fragility and permeability, capillary diseases and acrocyanosis. 2. adjuvant therapy for chronic venous insufficiency (varicose vein syndrome) and its sequelae (including post-embolism syndrome, leg ulcers, purpuric dermatitis and other stagnant skin diseases, peripheral vascular stasis edema etc.)	0.5g*10 tablets/strip*3 strips/box	Box
15		Sorafenib Tosylate Tablets	Inoperable or distant metastasis of hepatocellular carcinoma	0.2g*10 tablets/strip*3 strips/box	Box
16		Duloxetine Hydrochloride Enteric Capsules	Generalized anxiety disorder and depression	20mg*60 capsules/bottle, 30mg*90 capsules/bottle, 60mg*30 capsules/bottle	Bottle
17		Pyrazinamide Tablets	This product is only effective for mycobacterium, and can be used for treatment of tuberculosis in combination with other anti-tuberculosis drugs (such as streptomycin, isoniazid, rifampin and ethambutol)	0.25g*100 tablets/bottle	Bottle

No.	Round selected	Name of drugs	Indications	Specifications	Charge unit
18	The fifth round	Alfacalcidol Tablets	1. Improve the symptoms of patients with chronic renal insufficiency, hypoparathyroidism, vitamin D-resistant rickets and osteomalacia due to abnormal vitamin D metabolism, such as hypocalcemia, convulsions, ostealgia and bone damage. 2. Osteoporosis.	0.25μg*10 tablets/strip*3 strips/box	Box
19		Bicalutamide Tablets	1. 50mg per day: For the treatment for advanced prostate cancer together with luteinizing hormone-releasing hormone (LHRH) analogue or surgical orchiectomy. 2. 150mg per day: For the treatment of patients with locally advanced prostate cancer without distant metastasis who are not suitable or unwilling to receive surgical castration or other medical treatments.	50mg*14 tablets/strip/box	Box
20	The sixth round	Human Insulin Injection	Diabetes	3ml:300 unit (refill)*1 vial	Vial
21		Protamine Recombinant Human Mixed Insulin Injection (30/70)	Diabetes	3ml:300 unit (refill)*1 vial	Vial
22	The seventh round	Cefmetazole Sodium for injection	Among staphylococcus aureus, escherichia coli, pneumococcus, proteus (indole positive and negative) bacteroides, peptococcus and peptostreptococcus, the following infections caused by susceptible bacteria to this product: sepsis; bronchitis, bronchitis dilated infection, pneumonia, secondary infection of chronic respiratory disease, pulmonary suppuration (lung abscess), empyema; cholangitis, cholecystitis; peritonitis; pyelonephritis, cystitis; bartholinitis, intrauterine infection, uterine adnexitis, parametritis; cellulitis around the jaw, jaw inflammation.	1g*10 bottles/box, 0.25g*10 bottles/box, 0.5g*10 bottles/box, 2g*10 bottles/box	Box
23		Cefminox Sodium for injection	1. Respiratory system infection: tonsillitis, peritonsillar abscess, bronchitis, bronchiolitis, bronchiectasis (in the case of infection), secondary infection of chronic respiratory disease, pneumonia, pulmonary suppuration; 2. Urinary system infection: pyelonephritis, cystitis; 3. Abdominal infection: cholecystitis, cholangitis, peritonitis; 4. Pelvic infection: pelvic peritonitis, uterine adnexitis, intrauterine infection, pelvic dead space inflammation, parametritis; 5. Sepsis.	0.25g*10 bottles/box, 0.5g*10 bottles/box, 1g*10 bottles/box	Box
24		Lidocaine Hydrochloride Injection	This product is a local anesthetic and an antiarrhythmic drug. Mainly used for infiltration anesthesia, epidural anesthesia, topical anesthesia (including mucosal anesthesia during thoracoscopy or abdominal surgery) and nerve conduction block. This product can be used for ventricular premature beats and ventricular tachycardia after acute myocardial infarction, and can also be used for ventricular arrhythmia caused by digitalis poisoning, cardiac surgery and cardiac catheterization. This product is usually ineffective for supraventricular arrhythmias.	5ml:0.1g*5 vials/box, 10ml:0.2g*5 vials/box, 20ml:0.4g*5 vials/box	Box
25		Roxithromycin Tablets	For the treatment of infections caused by roxithromycin-sensitive pathogens	150mg*6 tablets/strip/box	Box
26	The eighth round	Enoxaparin Sodium Injection	1. Prevention of venous thromboembolic diseases (prevention of venous thrombosis), especially for thrombosis related to orthopedic or general surgery; 2. Treatment of established deep vein thrombosis, with or without pulmonary embolism, without severe clinical symptoms, excluding pulmonary embolism requiring surgery or thrombolytic agent treatment; 3. Treatment of unstable angina and non-Q wave myocardial infarction, in combination with aspirin; 4. Prevention of thrombosis in extracorporeal circulation of hemodialysis; 5. For the treatment of acute ST-elevation myocardial infarction, in combination with thrombolytics or concurrently in combination with percutaneous coronary intervention (PCI).	0.6ml:6000AxaIU (prefilled) *2 vials/box	Box

No.	Round selected	Name of drugs	Indications	Specifications	Charge unit
27	The eighth round	Piperacillin Sodium and Tazobactam Sodium for injection	For the treatment of the following systemic and/or local infections caused by detected or suspected susceptible bacteria: 1. Lower respiratory tract infection; 2. Urinary tract infection (mixed infection or single bacterial infection); 3. Intra- abdominal infection; 4. Skin and underlying tissue infection; 5. Bacterial sepsis; 6. Gynecological infection; 7. Treatment for bacterial infection in patients with neutropenia in combination with aminoglycosides; 8. Bone and joint infection; 9. Mixed infection of various bacteria.	2.25g(2.0g Piperacillin and 0.25g Tazobactam) *8 bottles/box, 4.5g(4.0g Piperacillin and 0.5g Tazobactam) *6 bottles/box, 4.5g(4.0g Piperacillin and 0.5g Tazobactam) *5 bottles/box	Box
28		Oseltamivir Phosphate for oral suspension	For the treatment of influenze A and influenze B in adults and children aged 2 weeks or above. Prevention of influenze A and influenze B in patients aged 1 year or above.	0.36g*1 bottle/box	Box
29		Cefoperazone Sodium and Sulbactam Sodium for injection	Monotherapy: Cefuroxime/Sulbactam is indicated for the treatment of the following infections caused by susceptible bacteria: 1. Upper and lower respiratory tract infection; 2. Upper and lower urinary tract infection; 3. Peritonitis, cholecystitis, cholangitis and other intra-abdominal infections; 4. Septicemia; 5. Meningitis; 6. Skin and soft tissue infection; 7. Bone and joint infection; 8. pelvic inflammatory disease, endometritis, gonorrhea and other reproductive tract infections. Combination medication: Cefuroxime/sulbactam should be used in combination with other antibiotics.	1g(1:1)*10 bottles/box, 2g(1:1)*10 bottles/box, 3g(1:1)*10 bottles/box	Box
30		Furosemide Injection	1. Edema disease; 2. Hypertension; 3. Prevention of acute renal failure; 4. Hyperkalemia and hypercalcemia; 5. Dilutional hyponatremia; 6. Hypersecretion of antidiuretic hormone (SIADH); 7. Acute drug poisoning.	2ml:20mg*10 vials/box	Box
31		Rifampicin Capsules	1. For the initial treatment and retreatment of various tuberculosis, including tuberculous meningitis, in combination with other anti-tuberculosis drugs. 2. for the treatment of leprosy and non-tuberculous mycobacterium infection in combination with other drugs. 3. for the treatment of severe infections caused by methicillin-resistant staphylococci in combination of vancomycin (intravenous). Rifampin in combination with erythromycin can be used for the treatment of severe Legionella infections. 4. for the treatment of asymptomatic Neisseria meningitidis carriers to eliminate Neisseria meningitidis in the nasopharynx; not suitable for the treatment of Neisseria meningitidis infection.	0.15g*100 capsules/bottle	Bottle
32	The ninth round	Rabeprazole Sodium Enteric-coated Tablets	Gastric ulcers, duodenal ulcers, anastomotic ulcers, reflux esophagitis, Zollinger- Ellison syndrome	20mg*30 tablets/bottle	Bottle

2. Medical Devices and Medical Diagnosis

During the Reporting Period, the Group recorded revenue of RMB4,386 million from the medical devices and medical diagnosis segment, representing a year-on-year decrease of 36.74%, which was mainly due to the significant decrease in the revenue from COVID-19 antigen and nucleic acid test kits and the overseas sales revenue from non- proprietary COVID-19 products. Excluding COVID-related products, the revenue growth on the same basis was 4.25%. During the Reporting Period, the segment results of the medical devices and medical diagnosis segment amounted to RMB-126 million, representing a year-on-year decrease of RMB647 million; and segment profits amounted to RMB-33 million, representing a year-on-year decrease of RMB804 million due to (1) the impacts of COVID-19 antigen and nucleic acid test kits: ① the disposal of and impairment provisions for inventory products and related assets, and ② the impacts on profits as a result of the significant decrease in revenue; (2) the sales of non-COVID operations of medical diagnosis business were lower than expected; (3) the periodical impact on the business performance as a result of the establishment of new direct sales offices in the United Kingdom, Dubai and other regions, the transition from a distribution model to a direct sales model and the increase in costs related to the brand ambassador project of Sisram Medical.

Medical Devices

The Group's medical devices business has formed three major business divisions focusing on medical cosmetology, respiratory health and high-value devices.

In the field of medical cosmetology, focusing on the ecological diversification strategy, Sisram Medical, a subsidiary continuously has enriched its product pipeline and pushed ahead the construction of its marketing network worldwide. During the Reporting Period, Sisram Medical introduced Alma Veil™, an advanced dual-wavelength vascular laser device, in the North American market; two classical products, namely Soprano Titanium and Opus, were introduced in new markets; two newly added supplementary parts of BeautiFill, a laser-aided fat removal and skin firming device, obtained regulatory licenses from the U.S. FDA. The registration applications for Daxxify (a long-acting botulinum toxin) and Profhilo (a high-concentration sodium hyaluronate product) (i.e. sodium hyaluronate solution for injection) were accepted by the NMPA. In June 2023, the acquisition of the direct sales channels in China was completed, thus achieving a direct sales layout in Chinese market for the medical aesthetics business. In addition, in January 2024, Sisram Medical established a strategic partnership with Prollenium, and obtained the exclusive distribution rights of the Revanesse dermal filler collection, which applies advanced hyaluronic acid technology, in several major markets including Germany, Austria, Switzerland, Australia and New Zealand. During the Reporting Period, the revenue of Sisram Medical amounted to US$359 million and net profit amounted to US$33 million (based on the financial statements of Sisram Medical in its reporting currency), recording a year-on-year change of 1.41% and -17.50%, respectively. In particular, the revenue from the direct sales channel generated a year-on-year growth, which was mainly due to the revenue contribution from North America and the Chinese market. The decrease in net profit was mainly due to the periodical increase in sales expenses and administrative expenses as a result of the transition period from a distribution model to a direct sales model in regional markets such as the United Kingdom, Dubai and Japan. In addition, in order to enhance brand awareness, new brand ambassadors were hired, and investment in marketing and marketing activities was increased, resulting in an increase in overall OPEX (i.e. Operating Expense) higher than revenue growth.

In the field of respiratory health, Breas accelerated the launch of new products and continued to optimize the supply chain. During the Reporting Period, sales performance achieved good growth. The market demand of non-invasive ventilators for medical and home use (including Clearway 2 and others) in Europe and America recorded recovery growth. Breas continued to increase its efforts to expand its business in China while exploring the European and the U.S. markets in depth. Relevant ventilators have been approved for launch in China, and digital projects and the localization of relevant products have also been accelerating.

In the field of high-value devices, the Group accelerated integration, and focused on enhancing the closed loop of R&D, production, products, marketing and other systematic capabilities through license-in, incubation and the "Intelligently Manufactured in China" policy. During the Reporting Period, the installation volume of "Da Vinci Surgical Robot" of Intuitive Fosun, an associate, was 55 in Chinese mainland and Hong Kong. In June 2023, the domestic medical device registration of localized "thoracic and abdominal endoscopy surgical control system" (fourth generation of Da Vinci Surgical System, which can be applied in endoscopic surgeries in urology, general surgery, obstetrics and gynecology, thoracic surgery etc.) was approved by NMPA, and the system was firstly installed in the hospital in December. Chindex, a subsidiary, officially entered into cooperation agreements with Insightec in relation to the establishment of joint venture in China to jointly promote the commercial expansion, clinical application and research of MRgFUS brain therapy system in Chinese mainland, Hong Kong and Macau. Futuo Zhida, a subsidiary, focused on the field of artificial intelligence surgical navigation and accelerated the innovative R&D of technological products. Relevant products have entered the clinical trial and registration approval stages respectively as planned. As of the date of this report, the Ion Bronchial navigation operation control system ("**Ion System**") of Intuitive Fosun has been approved by NMPA. The Ion System has adopted a flexible robot with shape sensing technology, which can accurately diagnose and treat peripheral lung lesions through the bronchus. The launch of the Ion System in China will help more lung cancer patients obtain early diagnosis and treatment through more minimally invasive methods.

In addition, the medical devices segment also made positive progresses in constructing a global marketing network. Sisram Medical, through strategies and methods of strengthening its digital channels and combining direct sales and distribution, continuously expanded the global market. As at the end of the Reporting Period, its marketing network covered more than 100 countries and regions across the world. The proportion of direct sales revenue further increased to 78%. At the same time, the marketing network of Breas also covered markets such as Europe, the U.S., China, Japan, India and Australia.

Medical Diagnosis

During the Reporting Period, the revenue from COVID-19 antigen and nucleic acid test kits significantly decreased, and the short-term revenue and profit of medical diagnosis segment were substantially affected as a result. As the COVID-19 no longer constituted a "Public Health Emergency of International Concern", the business focus of medical diagnosis segment was adjusted towards non-COVID-19 products. During the Reporting Period, reagents products such as hepatitis B quantitative virus nucleic acid test kit (PCR-Fluorescence probe method), myocardial calciumin T test kit (Chemical luminescence), brain sodium peptide test kit (Chemical luminescence) and new devices such as F-A7000 Series assembly line system and chemistry immunoassay integrated analyzer were launched successively. As at the end of the Reporting Period, among the chemiluminescence products, dozens of reagent products for tumor marker, hormone, thyroid function, myocardium, liver fibrosis and infection had entered the stage of mass production and commercialization; R&D of diagnostic reagents with high clinical value in the product pipeline such as high-speed biochemical testing instruments, high-speed chemiluminescence analyzer, high-speed biopharmaceutical all-in-one machine, high-speed assembly line, fully automated molecular workstations, fully automated immunohistochemistry instrument, Glycotest HCC Panel (early liver cancer diagnosis and screening solution), complete portfolio of cytokines, complete portfolio of cardiovascular and cerebrovascular thrombosis, several joint inspection panels on Molecular POCT respiratory testing and infectious pathogen detection panels on the immunofluorescence chromatography platform were proactively in progress.

At the same time, the medical diagnosis segment continued to promote the integration and operation integration. As at the end of the Reporting Period, in addition to the molecular diagnosis production line, the medical diagnosis segment has completed the construction of the bases, integration of functions and adjustment of organizational teams in Shanghai, Taizhou and Changsha, thus forming the classification of functions and positioning between R&D and manufacturing center, differentiated instrument R&D platform, inspection service business platform and reagent manufacturing base, which will support subsequent expansion of production capacity and improvement in operational efficiency and quality.

3. Healthcare services

During the Reporting Period, the revenue from the healthcare services segment amounted to RMB6,667 million, representing a year-on-year increase of 9.73%. Segment results amounted to RMB-201 million, representing a year-on-year decrease in loss of RMB421 million. Segment profits amounted to RMB-440 million, representing a year-on-year decrease in loss of RMB352 million. The main reasons for the year-on-year decrease in loss included the further focus and optimized expenses of online business, as well as the significant cost reduction through the centralized procurement of drugs and devices.

As at the end of the Reporting Period, the medical institutions controlled by the Group had a total of 6,548 authorized beds (excluding the authorized beds of the medical institutions controlled by Jianjia Healthcare), and the Group held 8 internet hospital licenses.

Regarding medical centers and regional medical institution alliance, through the continuous construction of high-level medical disciplines, the facilitation of the integrated operation, the promotion of the integration of online and offline medical institutions, the provision of multi-level and differentiated services and the expansion of primary medical services, the Group cultivated key regions such as the Greater Bay Area and the Yangtze River Delta to form a regional healthcare services network. During the Reporting Period, the Group continued to improve disciplines and set up key specialty committees. The Group continued to enhance its medical strength through the "Doctor Group" model by introducing expert partners in key specialties to medical institutions controlled by the Group. Some of the medical institutions controlled by the Group have set up new key specialties at a municipal level in their regions. During the Reporting Period, Foshan Fosun Chancheng Hospital became the first medical institution in Foshan designated by the measure of using HK registered drugs and medical devices used in HK public hospitals in Guangdong-Hong Kong-Macao Greater Bay Area. Its applications for 5 international innovative drugs and devices were approved, covering atrial fibrillation, hypertension, lymphoma, hyperlipidemia, and migraine indications, ranking among the top of the second batch of designated medical institutions in the measure of using HK registered drugs and medical devices used in HK public hospitals in Guangdong-Hong Kong-Macao Greater Bay Area in terms of the number of approved drugs and devices. Guangzhou Xinshi Hospital entered into a strategic cooperation with Guangdong Pharmaceutical University; Shanghai Xingchen Children's Hospital formally commenced its business in the gynecology and pediatrics sector; Xuzhou Xingchen Women's and Children's Hospital added a number of specialty departments to expand its service offerings based on user needs; Shinrong Plastic Surgery Hospital became the first private medical institution in the country to complete dual-base registration for drug and medical device clinical trials (GCP).

In addition, during the Reporting Period, the Group enhanced its service capabilities in the rehabilitation disciplines. By increasing its shareholding in Sinopharm Medical Investment (now renamed as Jianjia Healthcare) by 6%, the Group increased its shareholding in Jianjia Healthcare to 51%, and realized controlling shareholding. During the Reporting Period, Sinopharm Medical Investment was renamed as Jianjia Healthcare. At the same time, the Group promoted the construction of the new brand and the launch of a new marketing service platform to enhance its attention and influence in the rehabilitation industry, expanded the application of new digital services, and rolled out the "multiple locations in one city" layout model to explore the regional rehabilitation hospital management platform model. As at the end of the Reporting Period, the rehabilitation segment of Jianjia Healthcare operated 7 rehabilitation medical institutions with 6 rehabilitation medical institutions under construction.

Regarding smart healthcare, taking "making a healthier family and a better life" as the mission, the healthcare service platform of the Group provided users with closed-loop solutions throughout the treatment course and one-stop health management services that combines healthcare, medicines, health and insurance during the Reporting Period. Multiple medical institutions, including Foshan Fosun Chancheng Hospital and its medical institution alliance, continued to improve "Cloud HIS" (a new generation of smart medical cloud platform) and the internet hospital SaaS during the Reporting Period, which promoted the online-offline integrated service model of regional medical associations in the Greater Bay Area at a faster pace and continued to expand hospital department and patient coverage. The Group continued to improve its smart healthcare solutions based on the operational needs of hospitals operation and the clinical demand of patients. It provided a variety of service models, such as management services throughout the treatment course focusing on patients with specialized medical needs, private doctor services focusing on facilitating the healthcare needs of patients, specialized point-of-care services aiming at expanding the coverage of specialties, as well as healthcare collaboration services focusing on empowering primary healthcare organizations. The Group also continued to improve and gradually explored its output capabilities to establish a closed-loop business.

Regarding insurance empowerment, the Group continued to promote the two-way empowerment of healthcare and insurance. During the Reporting Period, the Group continued to establish the commercial insurance operation system for its member medical institutions. Leveraging the specialty departments and cutting-edge medical technologies of medical centers and regional medical associations, the Group created customized innovative insurance payment solutions, allowing more patients with specialized needs to enjoy specialized, differentiated medical services. In addition, the Group continued to increase the supply of diagnostic and treatment technologies, deepened the development of specialty diseases, and integrated commercial insurance and medical services.

4. Pharmaceutical Distribution and Retail

In 2023, Sinopharm recorded operating income of RMB596.570 billion, representing a year-on-year increase of 8.05%. The increase in the market share was accelerated and the scale advantage continued to emerge. In 2023, Sinopharm's net profit was RMB15.010 billion and net profit attributable to the parent company was RMB9.054 billion, representing a year-on-year increase of 4.63% and 6.19%, respectively.

During the Reporting Period, the pharmaceutical distribution business of Sinopharm recovered rapidly after the impact of the COVID-19 pandemic was eliminated, and the revenue from the pharmaceutical distribution business amounted to RMB441.051 billion, representing a year-on-year increase of 8.47%. Sinopharm 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. Meanwhile, Sinopharm focused on supporting the development of innovative services. Sinopharm 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.

During the Reporting Period, Sinopharm's medical device distribution segment actively adapted to the changes in the speed-up and expansion of centralized volume-based procurement, and eliminated the impact of the base data of anti-pandemic supplies generated during the same period of last year. Meanwhile, Sinopharm continued to promote high-quality business development by optimizing product structure and deepening the network coverage of the medical device distribution business. In 2023, the revenue from the medical device distribution business of Sinopharm amounted to RMB130.213 billion, representing a year-on-year growth of 7.75%.

With regard to pharmaceutical distribution, Sinopharm 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 Sinopharm was 12,109, representing a net increase of 1,356 in total compared with the end of 2022. In 2023, the revenue from the retail pharmacy segment amounted to RMB35.689 billion, representing a year-on-year increase of 8.22%.

5. Financing

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

The Group continued to actively enhance its good cooperation with domestic and foreign financial institutions. During the Reporting Period, the Group completed the registration of the quota to issue corporate bonds of RMB8,000 million, issued syndicated loans of EUR230 million, and reached an agreement with International Finance Corporation (IFC) on a loan totaling EUR50 million.

III. CORE COMPETENCE ANALYSIS

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

1. Advantages in R&D and innovation. The Group connected with teams with outstanding scientific talents, leading technologies and high-value products worldwide through diversified and multi-level cooperation models such as independent R&D, co-development, license-in projects and deep incubation. In addition, the Group continued to enrich its innovative product pipelines, enhanced the research and clinical development capabilities of FIC and BIC products, and promoted the research and practice of innovative technologies and products through the integrated management of the innovative R&D projects by the global R&D center. As at the end of the Reporting Period, the Group had more than 3,400 R&D personnel, of which over 1,800 persons obtained a master's degree or above. During the Reporting Period, the R&D expenditure of the Group amounted to RMB5,937 million.

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

3. Advantages in commercialization. The Group continuously enhanced the construction and integration of marketing system, and had formed a marketing system by product lines featured by professionalism, branding, digitalization and compliance that supported existing products and products to be launched. As at the end of the Reporting Period, the Group had built up a comprehensive supporting system covering aspects such as strategic markets, medical affairs, great access system, medical strategic alliance, brand and market promotion, etc.

IV. MAJOR OPERATIONS IN THE REPORTING PERIOD

(I) Analysis on Principal Operations

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

Unit: million Currency: RMB

Items	Amount for the year	Amount for last year	Year-on-year change (%)	Reasons
Revenue	41,249	43,811	–5.85	*Note 1*
Cost of sales	21,595	23,170	–6.80	*Note 1*
Selling and distribution expenses	9,712	9,171	5.90	*Note 2*
Administrative expenses	4,495	3,916	14.79	*Note 3*
Credit impairment losses	132	65	103.08	*Note 4*
Other gains	1,392	2,757	–49.51	*Note 5*
Other expenses	832	2,965	–71.94	*Note 5*
Finance costs	1,325	964	37.45	*Note 6*
Net cash flow generated from financing activities	–1,336	4,428	–130.17	*Note 7*

Note 1: For the reasons for the year-on-year change in revenue and cost of sales, please refer to "Segment Performance Overview" in "Management Discussion and Analysis".

Note 2: During the Reporting Period, selling expense ratio was 23.54%, representing an increase of 2.61 percentage points as compared to the same period of last year. The year-on-year change in selling expense ratio was mainly due to: (1) there were still expenses arising from the team, medical and market activities during the Reporting Period in spite of the significant decrease in revenue generated from COVID-related products; (2) the increase in overseas market selling expenses, such as the investment in the preparation for the launch of serplulimab injection (PD-1 inhibitor) in the U.S. market, the increase in costs in relation to the transition from a distribution model to a direct sales model and the brand ambassador project of Sisram Medical, as well as the investments for team building and other aspects for Han Si Zhuang (serplulimab injection), Bei Wen (keverprazan hydrochloride tablets) and other new products.

Note 3: Mainly due to the increase in human resources cost, consultation fees and other expenses. Excluding the impacts of newly acquired companies, administrative expenses increased by RMB296 million on the same basis, representing an increase of 7.56%.

Note 4: Mainly due to the impairment provision made for receivables with impairment indications.

Note 5: Mainly due to the gains from disposal of non-core assets such as Tianjin Pharma and the fair value change of financial assets such as YSB.

Note 6: Mainly due to US$ interest hikes, US$ appreciation and other factors, as well as the changes in interest-bearing liabilities scale.

Note 7: Mainly due to the proceeds from the Company's non-public issuance of A Shares received in the previous year.

2. Analysis of Revenue and Cost of Sales

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

Unit: million Currency: RMB

Principal Operations by Segments

By segments	Revenue	Cost of sales	Gross profit margin (%)	Year-on-year change in revenue (%)	Year-on-year change in cost of sales (%)	Year-on-year change in gross margin
Pharmaceutical manufacturing	30,080	14,090	53.16	–2.00	1.81	decrease of 1.75 percentage points
Medical devices and medical diagnosis[(Note 1)]	4,386	2,201	49.82	–36.74	–48.68	increase of 11.68 percentage points
Healthcare services	6,667	5,231	21.54	9.73	5.78	increase of 2.93 percentage points

Principal Operations by Products

By products	Revenue	Cost of sales	Gross profit margin (%)	Year-on-year change in revenue (%)	Year-on-year change in cost of sales (%)	Year-on-year change in gross margin
Major products of anti-tumor and immune modulation[(Note 2)]	7,638	1,566	79.50	37.99	45.54	decrease of 1.06 percentage points
Major products of anti-infection[(Note 3)]	4,340	2,173	49.93	–49.43	–45.77	decrease of 3.38 percentage points
Major products of metabolism and alimentary system	2,824	639	77.37	–2.05	4.07	decrease of 1.33 percentage points
Major products of cardiovascular system	1,677	1,042	37.87	–20.71	–23.61	increase of 2.36 percentage points
Major products of central nervous system	1,184	107	90.96	18.05	5.94	increase of 1.03 percentage points
Major products of APIs and intermediate products	1,271	910	28.40	1.84	–1.19	increase of 2.20 percentage points

Principal Operations by Geographical Locations

By geographical locations	Revenue	Cost of sales	Gross profit margin (%)	Year-on-year change in revenue (%)	Year-on-year change in cost of sales (%)	Year-on-year change in gross margin
Chinese mainland	30,878	15,487	49.84	3.36	6.92	decrease of 1.67 percentage points
Regions outside Chinese mainland and other countries[(Note 4)]	10,371	6,108	41.11	–25.59	–29.68	increase of 3.43 percentage points

Note 1: The decrease in revenue and operating cost of the medical devices and medical diagnosis segment as compared with the same period of last year was mainly due to the decrease in the revenue from COVID-19 antigen and nucleic acid test kits, and the decreased overseas sales of non-proprietary anti-epidemic product during the Reporting Period. Excluding anti-epidemic products, the revenue of the medical devices and medical diagnosis segment increased by 4.25% year-on-year. The increase in gross profit margin of the medical devices and medical diagnosis segment as compared with the same period of last year was mainly due to the lower gross profit margin of overseas sales of non-proprietary anti-epidemic products in the same period of last year.

Note 2: The increase in revenue and cost of sales of the major products of anti-tumor and immune modulation as compared with the same period of last year was mainly due to the launch of new products in such therapeutic areas.

Note 3: The decrease in revenue and operating cost of the major products of anti-infection as compared with the same period of last year was mainly due to the significant decline in the demand of Comirnaty (mRNA COVID-19 vaccine).

Note 4: The decrease in revenue and cost of sales in other regions outside Chinese mainland and other countries was mainly due to the significant decrease in demand for Comirnaty (mRNA COVID-19 vaccine) and other COVID-related products.

(2) Analysis of Production and sales volume

Major products	Unit	Production volume	Sales volume	Inventory	Year-on- year change in production volume (%)	Year-on- year change in sales volume (%)	Year-on- year change in inventory (%)
Han Si Zhuang (serplulimab injection) (converted as 100mg/bottle)	'0,000 bottles	43	24	6	11	225	–60
Han Qu You (trastuzumab injection) (converted as 150mg/bottle)	'0,000 vials	193	203	15	34	58	–49
Han Li Kang (rituximab injection) (converted as 100mg/vial)	'0,000 vials	123	150	19	–28	0	–59
Su Ke Xin (avatrombopag maleate tablets) (converted as 20mg*10 tablets/box)	'0,000 boxes	N/A	24	25	N/A	18	217

Note: During the Reporting Period, the top five products are: Han Si Zhuang (serplulimab injection), Han Qu You (trastuzumab injection), Han Li Kang (rituximab injection), heparin series preparations and Su Ke Xin (avatrombopag maleate tablets). In particular, heparin series preparations involve products in multiple dosage forms, and it is impossible to convert products of different dosage forms into corresponding production and sales volume according to the same standard.

(3) *Analysis of Cost*

Unit: million Currency: RMB

By Segments	Cost	Amount for the period	Percentage of the total cost for the period (%)	Amount for the corresponding period of last year	Percentage of the total cost for the corresponding period of last year (%)	Ratio of change for the period as compared with the corresponding period of last year (%)
			By Segments			
Pharmaceutical manufacturing	Cost of products	14,090	65.25	13,840	59.73	1.81
Medical devices and medical diagnosis[(Note 1)]	Cost of products and goods	2,201	10.19	4,289	18.51	–48.68
Healthcare services	Cost of services	5,231	24.22	4,945	21.34	5.78

Unit: million Currency: RMB

By Products	Cost	Amount for the period	Percentage of the total cost for the period (%)	Amount for the corresponding period of last year	Percentage of the total cost for the corresponding period of last year (%)	Ratio of change for the period as compared with the corresponding period of last year (%)
			By Products			
Major products of anti-tumor and immune modulation[(Note 2)]	Cost of products	1,566	11.11	1,076	7.77	45.54
Major products of anti-infection[(Note 3)]	Cost of products	2,173	15.42	4,007	28.95	–45.77
Major products of metabolism and Alimentary system	Cost of products	639	4.54	614	4.44	4.07
Major products of cardiovascular system[(Note 4)]	Cost of products	1,042	7.40	1,364	9.86	–23.61
Major products of central nervous system	Cost of products	107	0.76	101	0.73	5.94
Major products of APIs and intermediate products	Cost of products	910	6.46	921	6.65	–1.19

Note 1: Mainly due to the decrease in revenue of medical devices and medical diagnosis segment during the Reporting Period.

Note 2: Mainly due to the revenue growth of Han Si Zhuang (serplulimab injection), Han Qu You (trastuzumab injection) and trastuzumab drug substance, and Su Ke Xin (avatrombopag maleate tablets), and the revenue contribution from new products, namely Otezla (apremilast tablets), Han Bei Tai (bevacizumab injection) and Akynzeo (netupitant and palonosetron hydrochloride capsules) during the Reporting Period.

Note 3: Mainly due to the decrease in sales of Comirnaty (mRNA COVID-19 vaccine), Jie Bei An (azvudine tablets), Xi Chang/Bi Li Shu (cefmetazole sodium for injection) and Sai Fu Nuo (cefminox sodium for injection) during the Reporting Period.

Note 4: Mainly due to the decrease in sales of heparin series preparations in overseas markets during the Reporting Period.

(4) Major Customers and Suppliers

Sales to the top 5 customers of the Group amounted to RMB10,874 million, representing 26.27% of the total sales for the year.

Purchases from the top 5 suppliers of the Group amounted to RMB1,988 million, representing 11.69% of the total purchases for the year.

3. Expenses

During the Reporting Period, selling and distribution expense of the Group amounted to RMB9,712 million; and the selling and distribution expense ratio was 23.54%, representing an increase of 2.61 percentage points as compared to the same period of last year. The year-on-year change in the selling and distribution expense ratio was mainly due to (1) there were still expenses arising from the team, medical and market activities for COVID-related operations during the Reporting Period in spite of the significant decline in revenue from COVID-related products; (2) the increase in selling expenses in overseas markets, such as the investment in preparation before the launch of serplulimab injection (PD-1 inhibitor) in the U.S. market, the increase in costs in relation to the transition from a distribution model to a direct sales model and the brand ambassador project of Sisram Medical, as well as the investments for team building and other aspects for Han Si Zhuang (serplulimab injection), Bei Wen (keverprazan hydrochloride tablets) and other new products.

During the Reporting Period, the administrative expense of the Group amounted to RMB4,495 million, representing a year-on-year increase of 14.79% mainly due to the increase in human resources cost, consultation fees and other expenses; excluding the impacts of newly acquired companies, administrative expenses increased by RMB296 million on the same basis, representing an increase of 7.56%.

During the Reporting Period, the finance costs of the Group amounted to RMB1,325 million, representing a year-on-year increase of 37.45%. The year-on-year increase in finance cost was mainly due to US$ interest hikes, US$ appreciation and other factors, as well as the changes in interest-bearing liabilities scale.

4. R&D Expenditures

Accounting treatment of R&D expenditures

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

R&D Expenditures

Unit: million Currency: RMB

R&D expenditures expensed for the year	4,346
R&D expenditures capitalized for the year	1,591
Total R&D expenditures	5,937
Total R&D expenditures as a percentage of revenue (%)	14.34
R&D expenditures in the pharmaceutical manufacturing segment as a percentage of the revenue from the pharmaceutical manufacturing segment (%)	17.11
Percentage of R&D expenditures capitalized (%)	26.80
The number of R&D staff in the Group	3,491
The number of R&D staff as a percentage of the total number of staff in the Group (%)	8.65

Descriptions

During the Reporting Period, the R&D expenditures in the pharmaceutical manufacturing segment amounted to RMB5,172 million, representing a year-on-year increase of 1.47%, accounting for 17.11% of the revenue from the pharmaceutical manufacturing segment. In particular, R&D expenses amounted to RMB3,638 million, representing a year-on-year increase of RMB86 million or 2.42%, accounting for 12.04% of the revenue from the pharmaceutical manufacturing segment.

5. Cash Flows

Unit: million Currency: RMB

Items	Amount for the period	Amount for the corresponding period of last year	Ratio of change (%)	Reasons
Net cash flow generated from operating activities	3,414	4,218	–19.05	Mainly due to the effects of decrease in revenue and recurring income during the Reporting Period.
Net cash flow generated from financing activities	–1,336	4,428	–130.17	Mainly due to the proceeds from the Company's non-public issuance of A Shares received in the previous year.

(II) Assets and liabilities analysis

As at 31 December 2023, the gearing ratio, calculated as total interest-bearing bank and other borrowings over total assets, was 28.72%, as compared with 27.18% as at 31 December 2022.

Assets and liabilities

Unit: million Currency: RMB

Items	Amount as at the end of the period	Percentage of the amount as at the end of the period to the total asset (%)	Amount as at the end of last period	Percentage of the amount as at the end of last period to the total assets (%)	Ratio of change for the amount as at the end of the period as compared with the amount as at the end of last period (%)	Reasons
Financial assets at fair value through profit or loss — current	1,888	1.66	929	0.87	103.23	*Note 1*
Contract assets	146	0.13	—	—	100.00	*Note 2*
Assets held for sale	—	—	420	0.39	–100.00	*Note 3*
Financial assets at fair value through profit or loss — non-current	1,040	0.92	2,389	2.23	–56.47	*Note 1*
Investments in joint ventures	79	0.07	231	0.22	–65.80	*Note 4*
Equity investments designated at fair value through other comprehensive income	53	0.05	15	0.01	253.33	*Note 5*
Property, plant and equipment	20,846	18.38	15,719	14.68	32.62	*Note 6*
Right-of-use asset	4,248	3.75	2,837	2.65	49.74	*Note 7*
Deferred tax assets	624	0.55	443	0.41	40.86	*Note 8*
Tax payable	251	0.22	619	0.58	–59.45	*Note 9*
Lease liabilities — current	330	0.29	184	0.17	79.35	*Note 10*
Lease liabilities — non-current	2,050	1.81	745	0.70	175.17	*Note 10*

Note 1: Mainly due to changes in the share prices of financial assets held during the Reporting Period and the transfer of financial assets, including YSB, from "financial assets at fair value through profit or loss — non-current" as a result of the listing and partial disposal of such financial assets

Note 2: Mainly due to the increase in contract receivables during the Reporting Period

Note 3: Mainly due to the completion of disposal of equity interest in Tianjin Pharma during the Reporting Period

Note 4: Mainly due to the share of gains and losses of joint ventures during the Reporting Period

Note 5: Mainly due to the changes in fair value of financial assets during the Reporting Period

Note 6: Mainly due to the effects of newly acquired subsidiaries and the construction in progress transferred to fixed assets

Note 7: Mainly due to the effect of newly acquired subsidiaries

Note 8: Mainly due to the addition of deferred income tax assets of subsidiaries during the Reporting Period

Note 9: Mainly due to the increase in tax paid of subsidiaries during the Reporting Period

Note 10: Mainly due to the effect of newly acquired subsidiaries

(III) Analysis on Subsidiaries and Investees

1. Operation and Results of Major Subsidiaries of the Group

(1) Operation and Results of Major Subsidiaries

Unit: million Currency: RMB

Name of subsidiary	Major business	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Yao Pharma	Pharmaceutical R&D and manufacturing	197	7,620	6,070	5,498	881	813
Wanbang Pharma	Pharmaceutical R&D and manufacturing	480	7,691	4,669	8,117	907	821
Shanghai Henlius[(Note 1)]	Pharmaceutical R&D and manufacturing	543	9,904	2,192	5,395	567	546
Gland Pharma[(Note 2)]	Pharmaceutical R&D and manufacturing	N/A	10,675	8,526	4,207	571	395
Guilin Pharma	Pharmaceutical R&D and manufacturing	285	2,147	1,400	1,114	349	307

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

Note 1: The data of Shanghai Henlius is prepared in accordance with International Financial Reporting Standards.

Note 2: The data for Gland Pharma is prepared in accordance with Indian Generally Accepted Accounting Principles.

(2) Status of Other Major Subsidiaries

Unit: million Currency: RMB

Name of subsidiary	Major business	Registered capital	Total assets	Net assets	Revenue	Net profit
Foshan Fosun Chancheng Hospital[Note 1]	Healthcare services	50	3,857	2,012	2,348	102
Sisram Medical[Note 2]	Medial devices R&D and manufacturing	N/A	4,345	3,326	2,533	232

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

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

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

Unit: million Currency: RMB

Name of company	Principal activities	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Sinopharm Industrial	Pharmaceutical investment	100	383,337	120,617	596,570	19,439	14,994

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

(1) Acquisition of Subsidiaries during the Reporting Period

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

Unit: million Currency: RMB

Name	Acquired through	Date of acquisition/merger
Cenexi[Note 1]	Equity acquisition	27 April 2023
Alma HK[Note 2]	Asset acquisition	28 June 2023
Xingyitang Pharmacy	Equity acquisition	14 September 2023
Jianjia Medical[Note 3]	Equity acquisition	9 October 2023
Shanghai Yaokang	Equity acquisition	12 October 2023

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

The net profit of the above subsidiaries from the date of acquisition up to the end of the year amounted to RMB-146 million in aggregate (including appreciation and amortization of valuation).

Note 1: Acquired by Gland Pharma International Pte. Ltd., a subsidiary of Gland Pharma during the Reporting Period.

Note 2: Alma Laser and Alma HK (both subsidiaries) entered into an asset purchase agreement with the seller (i.e. PhotonMed HK and its ultimate beneficial owner, etc.), pursuant to which Alma HK would purchase all the assets of PhotonMed HK relating to the distribution business of Alma Lasers products in China by way of cash and issuance of shares, mainly including distribution channels in Chinese mainland.

Note 3: The Company entered into an equity transfer agreement with Shanghai Zhizhuo Business Management and Consultation Partnership (Limited Partnership) and Feng Jie, pursuant to which Shanghai Zhizhuo Business Management and Consultation Partnership (Limited Partnership) and Feng Jie transferred their respective 5.35% and 0.65% equity interest in Jianjia Medical to the Company. Upon the transfer, the Company held 51% equity interest in Jianjia Medical in aggregate. The acquisition consideration was RMB120 million.

(2) Disposal of Subsidiaries during the Reporting Period:

Unit: million Currency: RMB

Name	Disposed through	Date of disposal
Xuzhou Wanbang Cloud Pharmacy	Equity transfer	27 September 2023

Note: The net profit of the above company from the beginning of Reporting Period to date of disposal amounted to RMB-12 million in aggregate.

(IV) Employees and Remuneration Policies

As at the end of the Reporting Period, the Group had a total of 40,370 employees. The employee's remuneration policies of the Group are formulated on the basis of the performance, work experience and salary level prevailing in the market.

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

I. Industry Landscape and Trends

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

As the industry has become more regulated, standardized and professional in the course of development, a further rise was seen in level of centralization of the industry. The continuous upgrade of the industry unavoidably presents pressure and challenges in terms of operations in the transformation process to local enterprises in the short term. Nevertheless, such circumstance will benefit the rapid development of leading enterprises and innovative individual business in the long term. On the other hand, uncertainties lurk within the global economy environment. The international expansion of domestic enterprises will be subject to various challenges, but enterprises with robust independent innovation capabilities will continue to enjoy the room for international development.

II. Corporate Development Strategies

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

III. Operation Plan

In 2024, the Group will continue to enhance its R&D efficiency, and accelerate to achieve the commercialization value of its launched products, thereby further improving the quality and efficiency of internal operations. In terms of innovative R&D, the Group will tap into the domestic market and expand into the international market, roll out targeted planning around products and technologies in core therapeutic fields with large unmet needs, improve R&D efficiency, and optimize the structure of pipeline products. In terms of improving operation and management efficiency, the Group will proactively promote lean operations, cost reduction, efficiency improvement and asset lightweighting to optimize the financial structure and lay a solid foundation for the Group's long-term stable development.

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

Pharmaceutical Manufacturing

In 2024, the Group will continue to implement the "4IN" strategy, enhance capabilities in innovative R&D, strive to develop strategic products, expand global market opportunities, optimize asset allocation, and promote the efficiency in R&D and operation.

In terms of innovative drug business, the Group will continue to optimize its R&D strategy, focus on its competitive resources to ensure the smooth advancement of key projects, and comprehensively upgrade its BD capabilities to increase international BD cooperation to expand its early and late pipelines and consolidate its dominant position in hematological tumors, solid tumors and other fields. By actively cooperating with world-class universities and scientific research institutes, the Group will strengthen the layout of chronic diseases (liver disease, metabolism, kidney disease, etc.) and central nervous system (Alzheimer's disease, Parkinson's disease, etc.) in the early research stage. At the same time, the Group will actively promote the export of quality products and promote global simultaneous development. On the marketing side, the Group will promote the upgrading of the marketing organization, and strengthen product life cycle management through a large access system and innovative all-area marketing, maximize the commercial value of innovative products, and strive to create a matrix of blockbuster products worth billions of RMB.

In terms of the established medicines manufacturing & supply business, under the influence of factors such as volume-based procurement, online management, price linkage, industry anti-corruption and global supply chain restructuring, the Group will enhance its core competitiveness and operating performance through promoting integration, resource sharing, collaborative innovation, complementary advantages and lean management. In terms of R&D, the Group will establish R&D projects for first generic drugs, difficult generic drugs and differentiated products, as well as improved new drugs, efficiently promote the development of pipeline products, and make deployment in high-end/complex preparations such as in situ gels, minitablets, oral fast dissolving film, inhalation and sustained and controlled release, to form a differentiated R&D layout. In terms of operation, the Group will consolidate and plan the industrial layout, strengthen the integration of APIs and preparations, deploy in characteristic APIs and emerging technology platforms, strengthen the capacity construction of international registration and marketing system of APIs, comprehensively improve operational efficiency, develop leadership in terms of cost, and focus on promoting the integration and international collaboration of the heparin industry. In terms of marketing, the Group will actively respond to centralized procurement, and accelerate the transformation of the marketing model. While further deepening its presence in the Chinese market and strengthening its presence in the U.S. market, the Group will achieve rapid breakthroughs through strategic layout in emerging markets such as Africa, the Middle East and Southeast Asia, so as to comprehensively promote global layout, form a regional focus, and accelerate international market expansion with the help of external mergers and acquisitions. In terms of organization and talents, the Group will also strengthen the reserve and team construction of professional and management talents, and establish a cohesive, agile and refined organization to promote the implementation of strategies and create a generic drug industry chain with international competitiveness.

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

Medical Devices and Medical Diagnosis

In 2024, in terms of the medical devices business, the Group will continue to focus on medical cosmetology, respiratory health, professional medical care and other business areas, systematically improve its marketing, product competitiveness and incubation capabilities, and further promote the professional, international and platform development of the medical devices business. In particular, the Group will strengthen the diversity of medical cosmetic business to achieve an extensive global network coverage through both internal and external expansion to strengthen its global leading position. The Group will accelerate integration and efficiency improvement, digital empowerment and localized expansion in China of the respiratory health business to create a leading brand. The Group will strengthen professional marketing of professional medical care business and create an advantageous brand in the field of specialties through the combination of incubation and introduction with "intelligently manufactured in China".

In terms of the medical diagnosis business, the Group will continue to deepen the product line portfolios in the construction of product matrix, accelerate the launch of laboratory equipment platform, immunological reagent combinations, and molecular reagent combination products of the testing center, and improve its ability to provide integrated medical diagnosis solutions. Meanwhile, it will also promote the on-site incubation and layout of development, introduction and localization of strategic products and emerging technologies, and foster a closed-loop model in application in order to enhance the innovativeness of the pipeline products. At the same time, the Group will focus on infection, tumor, maternal and child, reproductive, digestion and metabolism, central nervous system and other fields, further enrich its product and service mix, and provide customers with comprehensive solutions. In addition, the Group will further promote lean and integrated operations, and focus on expanding the construction of channel systems and reaching high-level customers.

Healthcare Services

In 2024, based on its existing advantageous areas, in terms of the healthcare services business, the Group will consolidate its doctor resource system, and improve specialized service capabilities and a full life cycle management system based on patients' disease process. The Group will continue to enhance the cooperation between healthcare services and commercial insurance in terms of depth and breadth, increase the coverage of commercial insurance in healthcare services business, and accelerate the expansion of one-stop health management services for the integration of medicine, healthcare and insurance. It will also continue to strengthen its core capabilities, optimize its special supply chain system, and enhance the integrated operation efficiency. At the same time, the Group will continue to deepen the integrated online and offline smart healthcare based on the digital platform, and explore the expansion into Hong Kong, Macao and international medical services.

Pharmaceutical Distribution and Retail

In 2024, the Group will continue to support and facilitate consolidation and rapid development of Sinopharm in its pharmaceutical and devices distribution business and the continued expansion of the competitive advantages of Sinopharm in the pharmaceutical and devices distribution sectors.

Financing

In 2024, the Group will continue to explore the multi-level financing channels domestically and internationally, optimize its financial structure, and put the liability size and comprehensive financing costs under control. With the organic growth of the Group and the steady growth in the industry consolidation, the Group expects to invest for production capacity expansion, plant relocation, the development of GMP and reconstruction and expansion of hospitals in 2024. Primary sources of funding will include, among others, the Group's own capital, cash flow from operating activities, proceeds from debt financing and equity financing, and proceeds from the disposal of non-strategic and non-core assets.

IV. Potential Risks

(I) Industry policies adjustments

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

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

In the field of medical services, it requires more strategic and diversified thinking on how socially-organized medical institutions can achieve closer cooperation, differentiated development and collaborative expansion with the mainstay of healthcare services to explore new areas of healthcare services.

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

(II) Market risks

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

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

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

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

(III) Business and operating risks

1. *R&D risks of drugs*

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

In this regard, the Group will continue to strengthen its project and early research capabilities, establish a lean R&D process and concept, scientifically employ Go/No-go decisions, and improve R&D efficiency and output with an effective reward and punishment mechanism. In addition, the Group will further strengthen the construction of BD and clinical registration capabilities, introduce and develop product pipelines with high clinical value and strong innovative attributes, and accelerate the approval for launch of innovative products; at the same time, it will actively explore the layout of new technologies and new targets through various modes, including self-incubation, to expand the technology platform layout.

2. *Control risks of product/service quality*

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

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

In this regard, the Group will continue to focus on quality and risk management throughout the life cycle of its products, implement quality and safety control mechanisms and pharmacovigilance mechanism and keep taking lean operations as a means. For healthcare services, the Group will strengthen the construction of disciplines and improve the quality of operations while pursuing business development.

3. Safety and environmental risks

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

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

(IV) Management risks

1. Risks of internationalization

Amid the high inflation in Europe and the United States, the United States promulgated the Inflation Reduction Act in 2022 and the European Union announced a proposed regulation on accelerating the marketing authorization application of innovative drugs, thus creating new challenges in cost, innovation competition, regulatory barriers and other aspects for Chinese enterprises to expand overseas. At the same time, regulators of different countries are considering regulating the application of technologies such as artificial intelligence. The U.S. FDA has issued discussion paper on the application of AI/ML (artificial intelligence/machine learning) in drug R&D and biological products, aiming to re-establish relevant regulatory concepts.

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

2. Risks arising from mergers, acquisitions and restructuring

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

(V) Foreign exchange risks

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

In this regard, the Group will keep paying attention to fluctuations of the foreign exchange, optimizing the structure of domestic and overseas assets, and reasonably controlling foreign exchange exposure so as to improve the ability to deal with foreign exchange fluctuation risks.

(VI) Force majeure risks

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

In this regard, the Group will strengthen the analysis and prediction of force majeure risks, establish and improve the emergency management mechanism so as to minimize the adverse impact that force majeure incidents may bring to operations.

OTHER EVENTS

I. Approval for Registration of Corporate Bonds by the CSRC

On 12 October 2023, the CSRC issued the "Approval on the Public Issuance of the Corporate Bonds to the Professional Investors by Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (Zheng Jian Xu Ke [2023] No. 2312) (the "**Approval**"), approving the application for registration of the Company to publicly issue corporate bonds not exceeding RMB8 billion to professional investors. The Approval shall be valid within 24 months from the date of the CSRC's approval for registration. The Company may issue in tranches within the validity period of registration.

As at the date of this report, no corporate bonds have been issued pursuant to the Approval.

II. Delisting of Corporate Bonds

In August 2023, the payment of the remaining principal of RMB745.001 million and the interest for the last tranche of the Public Issuance of Corporate Bonds (First Tranche) of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. in 2018 (18 Fosun Pharma 01) (上海復星醫藥(集團)股份有限公司2018年公開發行公司債(第一期)(18復藥01)) was completed and the related bonds were delisted.

III. Increase in Shareholding by a Controlling Shareholder

On 13 September 2023, 22 September 2023 and 24 November 2023, the Company received written notifications by Fosun High Tech, a controlling shareholder, that Fosun High Tech planned to further increase its shareholding in the Company (including A Shares and/or H Shares) by way of, including but not limited to, centralised price bidding or block trade at the stock exchanges and transfer by agreement (and/or through parties acting in concert with it) within the 12-month period commencing from 13 September 2023 (inclusive), if and where appropriate, and the cumulative total consideration thereof shall not be less than RMB100 million[4] (including the total consideration for an increase in shareholding of A Shares of not less than RMB100 million) and the additional shareholding interest to be acquired in aggregate shall not exceed 2% of the total issued shares of the Company as at 13 September 2023 (i.e. 2,672,156,611 Shares, the same below) (and the aggregated number of shares in the Company to be acquired in the 12-month period on a rolling basis shall not exceed 2% of the total issued shares of the Company) (the "**Shareholding Increase Plan**"). Fosun High Tech and/or parties acting in concert with it shall not reduce its/their shareholding in the Company during the implementation of the Shareholding Increase Plan and within the statutory restricted period.

As at the date of this report, pursuant to the Shareholding Increase Plan, Fosun High Tech acquired a total of 720,000 Shares of the Company (all being A Shares), representing approximately 0.03% of the total number of Shares of the Company in issue as at 13 September 2023, with a total purchase price of approximately RMB20.08 million.

IV. 2022 Restricted A Share Incentive Scheme

Pursuant to the 2022 Restricted A Share Incentive Scheme considered and approved at each of the extraordinary general meeting, the A Shareholders class meeting and the H Shareholders meeting held by the Company on 29 November 2022, and under the authorization of the aforesaid extraordinary general meeting and class meetings, on 1 September 2023, the Board and the Supervisory Committee resolved to grant a total of 417,600 restricted A Shares to 94 proposed participants under the reserved grant on 1 September 2023, as the grant date of the reserved grant, at the grant price of RMB21.29 per share under the reserved grant. Except for 14 proposed participants under the reserved grant (who were granted a total of 46,000 restricted A Shares) who voluntarily decided not to participate in the reserved grant, 80 proposed participants under the reserved grant had accepted and subscribed for a total of 371,600 restricted A Shares granted to them under the reserved grant. The share registration of those newly issued Shares was completed on 21 September 2023 at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited.

On 27 September 2023, the Board and the Supervisory Committee resolved that the Company shall forfeit the corresponding cash dividends for the year of 2022 held by the Company from a total of the 129,500 restricted A Shares granted to 10 participants in the first grant but not yet unlocked, and the Company shall repurchase and cancel those restricted A Shares due to the repurchase and cancellation as set out in the Restricted A Share Incentive Scheme arising from the retirement and resignation of those 10 participants. The total repurchase price amounted to RMB2,769,052.98. The cancellation of the related Shares was completed on 23 November 2023.

[4] The exchange rate of HKD against RMB is converted based on the central parity rate of HKD against RMB announced by the People's Bank of China on the day of the relevant shareholding increase.

V. 2022 H Share Employee Share Ownership Scheme

Pursuant to the 2022 H Share Employee Share Ownership Scheme considered and approved at the extraordinary general meeting held by the Company on 29 November 2022, and under the authorization of the aforesaid extraordinary general meeting, on 1 September 2023, the Board and the Supervisory Committee resolved to grant a total of 8,990,000 units under the H Share Employee Share Ownership Scheme to 94 proposed participants under the reserved grant on 1 September 2023, as the grant date of the reserved grant. On 22 September 2023, as 14 proposed participants under the reserved grant voluntarily decided not to participate in the reserved grant, the Board resolved to adjust the number of the holders under the reserved grant to 80 from 94 and the units to be granted under the reserved grant to 7,994,000 from 8,990,000.

On 27 September 2023, the Board resolved that the management committee of the H Share Employee Share Ownership shall forfeit a total of 2,770,000 units under the H Share Employee Share Ownership Scheme granted to 10 holders in the first grant but not yet unlocked on the ground that those 10 holders in the first grant have retired or resigned.

Five-Year Statistics

Unit: million Currency: RMB

Year	2019 (Restated)	2020 (Restated)	2021 (Restated)	2022	**2023**
Operating Results					
Revenue	28,389	30,167	38,864	43,811	**41,249**
Profit for the year	3,744	3,938	4,976	3,954	**2,907**
Profit for the year attributable to owners of the parent	3,322	3,662	4,729	3,737	**2,399**
EBITDA	7,121	7,285	8,814	8,041	**7,720**
Proposed final dividend (in RMB Yuan)	0.39	0.43	0.56	0.42	**0.27**
Earnings per share (in RMB Yuan)					
Earnings per share — basic	1.30	1.43	1.85	1.43	**0.90**
Earnings per share — diluted	1.30	1.43	1.85	1.43	**0.90**
Equity					
Total equity	39,151	45,932	48,323	54,058	**56,578**
Equity attributable to owners of the parent	31,834	36,944	39,139	44,532	**45,646**
Equity per share attributable to owners of the parent	12.42	14.41	15.27	16.67	**17.08**
Debt					
Total debt	21,691	22,965	24,509	29,116	**32,574**
Gearing ratio (%)	28.52%	27.46%	26.28%	27.18%	**30.81%**
Interest coverage (times)	6.62	8.27	10.41	7.94	**5.61**
Assets					
Cash and bank balances	9,537	9,971	10,317	16,241	**13,694**
Property, plant and equipment	10,721	12,580	13,012	15,719	**20,846**
Right-of-use asset	2,455	2,666	2,570	2,837	**4,248**
Investments in joint ventures	381	382	283	231	**79**
Investments in associates	20,492	21,871	22,344	22,863	**23,802**
Financial assets at fair value through profit or loss — non-current	1,983	1,461	1,206	2,389	**1,040**
Financial assets at fair value through profit or loss — current	457	1,970	4,241	929	**1,888**
Equity investments designated at fair value through other comprehensive income	108	1	30	15	**53**
Segment net profit					
Pharmaceutical manufacturing	2,073	2,355	2,630	3,419	**1,974**
Medical devices and medical diagnosis	495	907	2,000	771	**(440)**
Healthcare service	1,559	109	(433)	(792)	**(33)**
Pharmaceutical distribution and retail	1,634	1,807	1,948	2,114	**2,242**

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

Report of the Directors

The Directors are pleased to present their 2023 report and the audited consolidated financial statements of the Company for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

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

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

BUSINESS REVIEW

A review of the business of the Group in 2023 and a discussion and analysis of the material factors underlying the Group's performance, results and financial position during the year are provided in the sections headed "Financial Review" and "Business Review" in the Management Discussion and Analysis in this annual report, respectively. Description of the major risks and uncertainties confronted by the Group can be found throughout this annual report, particularly in the section headed "Potential Risks" in the Management Discussion and Analysis in this annual report. Particulars of important events affecting the Group that have occurred since the end of the Reporting Period, can also be found in the note 53 to financial statements. The outlook of the Group's business is discussed throughout this annual report including the Chairman's Statement and the section headed "The Board's Discussion and Analysis on Future Development of the Group" in the Management Discussion and Analysis in this annual report.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2023 and the financial position of the Group at that date are set out in the financial statements and the accompanying notes on pages 268 to 408.

The Board has proposed the 2023 Final Dividend of RMB0.27 per share, before tax, for the year ended 31 December 2023, which will be subject to the approval by the Shareholders at the forthcoming annual general meeting of the Company.

The Company will dispatch a circular containing, inter alia, further information relating to the proposed distribution of the 2023 Final Dividend and the forthcoming annual general meeting of the Company to Shareholders in due course.

PROFIT DISTRIBUTION PLAN

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

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

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

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

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

AGM AND CLOSURE OF REGISTER OF MEMBERS OF H SHARES

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

SUMMARY OF FINANCIAL INFORMATION

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

ISSUED CAPITAL

Details of movements in the Company's share capital during the Reporting Period are set out in note 39 to the financial statements.

SUBSIDIARIES

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

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

2022 Restricted A Share Incentive Scheme

The 2022 Restricted A Share Incentive Scheme was approved by the Shareholders of the Company at each of the extraordinary general meeting, the A Shareholders class meeting and the H Shareholders class meeting held on 29 November 2022, respectively. On 1 September 2023, the Board and the Supervisory Committee resolved to grant a total of 417,600 restricted A Shares to 94 proposed participants under the reserved grant on 1 September 2023, as the grant date of the reserved grant, at the grant price of RMB21.29 per share under the reserved grant. Except for 14 proposed participants under the reserved grant (who were granted a total of 46,000 restricted A Shares) who voluntarily decided not to participate in the reserved grant, 80 proposed participants under the reserved grant had accepted and subscribed for a total of 371,600 restricted A Shares granted to them under the reserved grant. The share registration of those newly issued Shares was completed on 21 September 2023 at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited.

On 27 September 2023, the Board and the Supervisory Committee resolved that the Company shall repurchase and cancel a total of 129,500 restricted A Shares granted to 10 participants in the first grant but not yet unlocked due to the repurchase and cancellation as set out in the Restricted A Share Incentive Scheme arising from the retirement and resignation of those 10 participants. The total repurchase price amounted to RMB2,769,052.98. The cancellation of the related Shares was completed on 23 November 2023.

Sell back of "21 Fosun 01" Corporate Bonds

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

Save as disclosed above, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's listed securities during the period from 1 January 2023 to the date of this report.

DISTRIBUTABLE RESERVES

The amount of the Company's reserves available for distribution as at 31 December 2023, calculated in accordance with PRC rules and regulations, was RMB12,775 million.

MAJOR CUSTOMERS AND SUPPLIERS

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

DIRECTORS

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

Executive Directors

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

Non-executive Directors

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

Independent non-executive Directors

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

SUPERVISORS

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

Ms. Ren Qian (任倩) *(Chairman)*
Mr. Guan Yimin (管一民)
Mr. Chen Bing (陳冰)

At the annual general meeting held on 28 June 2023, Mr. Chen Bing was elected by the Shareholders as a Supervisor of the ninth session of the Supervisory Committee. The appointment became effective on 28 June 2023 until the expiry of the term of the current session of the Supervisory Committee. Mr. Cao Genxing's resignation as a Supervisor of the Company became effective on 28 June 2023.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors, Supervisors and the senior management of the Company are set out on pages 123 to 133 of this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

The remuneration for the year ended 31 December 2023, including salaries, allowances and benefits in kind, performance-related bonuses, pension scheme contribution and cash-based long-term incentive scheme, of those who were senior management of the Company on 31 December 2023 and whose profiles are included in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this annual report fell within the following bands:

Remuneration bands	Number of individuals
RMB Nil to RMB2,000,000	2
RMB2,000,001 to RMB4,000,000	7
RMB4,000,001 to RMB6,000,000	9
RMB6,000,001 to RMB8,000,000	1
RMB8,000,001 to RMB10,000,000	1
RMB10,000,001 to RMB20,000,000	1

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

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

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

PENSION SCHEME

The full-time employees of the Group are covered by various government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. The Group contributes a percentage of the employees' salaries (subject to maximum caps) to these retirement benefit schemes on a monthly basis. Under these schemes, the Group has no legal obligation for retirement benefits beyond the contributions made. Contributions to these schemes are expensed as incurred. The Group's pension cost charged to the income statement for the Reporting Period was RMB55.38 million.

MANAGEMENT CONTRACT

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

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 2023, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which should be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise should be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

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

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

Note:

(1) (L) — Long position

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

Name	Name of associated corporations	Class of shares	Capacity	Number of Shares[1]	Approximate percentage of Shares in relevant class of Shares
Mr. Wu Yifang	Fosun International	Ordinary share	Beneficial owner	330,000(L)	0.00%
Mr. Wang Kexin	Fosun International	Ordinary share	Beneficial owner	1,260,000(L)	0.02%
Ms. Guan Xiaohui	Fosun International	Ordinary share	Beneficial owner	1,200,000(L)	0.01%
Mr. Chen Qiyu	Fosun International	Ordinary share	Beneficial owner	31,144,400(L)	0.38%
	Fosun Tourism	Ordinary share	Beneficial owner	501,478(L)	0.04%
Mr. Yao Fang	Fosun International	Ordinary share	Beneficial owner	8,679,500(L)	0.11%
Mr. Xu Xiaoliang	Fosun International	Ordinary share	Beneficial owner	27,540,000(L)	0.34%
	Fosun Tourism	Ordinary share	Beneficial owner	2,052,328(L)	0.17%
	Yuyuan Inc.	Ordinary share	Beneficial owner	612,800(L)	0.02%
Mr. Pan Donghui	Fosun International	Ordinary share	Beneficial owner	14,403,484(L)	0.18%
	Fosun Tourism	Ordinary share	Beneficial owner	490,000(L)	0.04%
Mr. Chen Bing	Fosun International	Ordinary share	Beneficial owner	3,323,453(L)	0.04%
	Fosun Tourism	Ordinary share	Beneficial owner	66,663(L)	0.01%

Note:

(1) (L) — Long position

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

Name	Name of associated corporations	Capacity	Amount of debentures
Mr. Wu Yifang	Fortune Star (BVI) Limited[1]	Beneficial owner	USD36,440
	Fortune Star (BVI) Limited[2]	Beneficial owner	USD36,440
Mr. Xu Xiaoliang	Fortune Star (BVI) Limited[1]	Beneficial owner	USD251,933
	Fortune Star (BVI) Limited[2]	Beneficial owner	USD251,933

Notes:

(1) Details of debentures: due on 29 October 2025.

(2) Details of debentures: due on 18 May 2026.

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

As at 31 December 2023, so far as is known to the Directors and Supervisors, the persons or entities, other than the Directors, Supervisors or chief executive of the Company, who had interests or short positions recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholders	Nature of Interest	Class of Shares	Number of Shares[1]	Approximate percentage of Shares in relevant class of Shares
Fosun High Tech	Beneficial owner	H Share	71,533,500(L)	12.96%
	Beneficial owner	A Share	886,315,955(L)[2]	41.80%
Fosun International	Beneficial owner	H Share	6,000,000(L)	1.09%
	Interest of a controlled corporation	H Share	71,533,500(L)[3]	12.96%
	Interest of a controlled corporation	A Share	886,315,955(L)[5]	41.80%
Fosun Holdings	Interest of a controlled corporation	H Share	77,533,500(L)[4]	14.05%
	Interest of a controlled corporation	A Share	886,315,955(L)[5]	41.80%
Fosun International Holdings	Interest of a controlled corporation	H Share	77,533,500(L)[4]	14.05%
	Interest of a controlled corporation	A Share	886,315,955(L)[5]	41.80%
Mr. Guo Guangchang	Interest of a controlled corporation	H Share	77,533,500(L)[4]	14.05%
	Interest of a controlled corporation	A Share	886,315,955(L)[5]	41.80%
	Beneficial owner	A Share	114,075(L)	0.01%

Notes:

(1) (L) — Long position;

(2) As at the end of the Reporting Period, Fosun High Tech had in the aggregate pledged 707,900,000 A Shares, the proceeds from the loan(s) to which the share pledge relates are to be applied towards repayment of its own debt(s).

(3) The Shares are held by Fosun High Tech. Fosun High Tech is wholly owned by Fosun International and therefore Fosun International is deemed to be interested in these Shares.

(4) These Shares, of which 71,533,500 Shares are held by Fosun High Tech, and of which 6,000,000 Shares are held by Fosun International. Fosun High Tech is wholly owned by Fosun International, which in turn is owned as to 73.42% by Fosun Holdings, and Fosun Holdings is wholly owned by Fosun International Holdings. As Fosun International Holdings is owned as to 85.29% by Mr. Guo Guangchang, Fosun Holdings, Fosun International Holdings and Mr. Guo Guangchang are deemed to be interested in these Shares.

(5) These Shares are held by Fosun High Tech. Fosun High Tech is wholly owned by Fosun International, which in turn is owned as to 73.42% by Fosun Holdings, and Fosun Holdings is wholly owned by Fosun International Holdings. As Fosun International Holdings is owned as to 85.29% by Mr. Guo Guangchang, Fosun International, Fosun Holdings, Fosun International Holdings and Mr. Guo Guangchang are deemed to be interested in these Shares.

PERMITTED INDEMNITY

At no time during the year ended 31 December 2023 and up to the date of this report was there any permitted indemnity provision in force for the benefit of any of the Directors and the Supervisors (whether made by the Company or otherwise) or any directors and supervisors of an associated company (if made by the Company). The Company has arranged appropriate Directors', Supervisors' and senior management's liability insurance coverage for the Directors, Supervisors and senior management.

SHARE INCENTIVE SCHEMES

2022 Restricted A Share Incentive Scheme

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

(1) Purpose

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

(2) Participants

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

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

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

A number of up to 3,434,300 restricted A Shares were proposed to be granted to the participants under the Restricted A Share Incentive Scheme, representing up to 0.13% of the total share capital of the Company (i.e. 2,672,398,711 Shares, the same below) as at the date of this report. Specifically, a number of up to 2,747,500 Shares were granted under the first grant, representing up to 0.10% of the total share capital of the Company as at the date of this report; and a number of up to 686,800 Shares were reserved for further grant, representing up to 0.03% of the total share capital of the Company as at date of this report. The reserved grant portion represents up to 20% of the total Restricted A Shares to be granted under the Restricted A Share Incentive Scheme. The total number of shares of the Company granted to any of the participants under all share incentive schemes currently in force does not in the aggregate exceed 0.1% of the total share capital of the Company as at 29 August 2022.

(4) Term, restriction period and unlocking arrangement

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

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

The restriction period (i.e. the vesting period) of the restricted A Shares granted under the first grant of the Restricted A Share Incentive Scheme (took place in 2022) shall be 12 months, 24 months and 36 months from the relevant completion date of registration of the Shares under the first grant. The unlocking schedule and arrangements for the restricted A Shares to be granted under the first grant are set out below:

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

The restriction period (i.e. the vesting period) of the restricted A Shares granted under the reserved grant of the Restricted A Share Incentive Scheme (took place in 2023) shall be 12 months and 24 months from the relevant completion date of registration of the restricted A Shares under the reserved grant (i.e. 21 September 2023, same as below). The unlocking schedule and arrangements for the restricted A Shares to be granted under the reserved grant are set out below:

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

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

The grant price under the Restricted A Share Incentive Scheme (including the grant price of the first grant and the reserved grant) shall be RMB21.29 per share. Upon fulfilment of grant conditions, each participant is entitled to purchase the A Shares newly issued to him or her by the Company at the price of RMB21.29 per share.

The grant price underlying the first grant of the Restricted A Share Incentive Scheme shall not be less than the nominal value of the Shares, and shall not be less than the higher of the following prices:

(a) 50% of the average trading price of the A Shares on the last trading day before the date of the A-Share announcement on the Restricted A Share Incentive Scheme (i.e. 29 August 2022); and

(b) 50% of the average trading price of the A Shares on the last 20 trading days before the date of the A-Share announcement on the Restricted A Share Incentive Scheme.

The grant price underlying the reserved grant of the Restricted A Share Incentive Scheme shall not be less than the nominal value of the Shares, and shall not be less than the higher of the following prices:

(a) 50% of the average trading price of the A Shares on the last trading day immediately preceding the date of the announcement of Board resolutions on the reserved grant (i.e. 31 August 2023);

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

(c) the grant price of the first grant.

Pursuant to the Restricted A Share Incentive Scheme and under the authorization of the aforesaid extraordinary general meeting and class meetings, on 1 September 2023, the Board and the Supervisory Committee resolved to grant a total of 417,600 restricted A Shares to 94 proposed participants under the reserved grant on 1 September 2023, as the grant date of the reserved grant, at the grant price of RMB21.29 per share under the reserved grant. Except for 14 proposed participants under the reserved grant (who were granted a total of 46,000 restricted A Shares) who voluntarily decided not to participate in the reserved grant, the remaining 80 proposed participants under the reserved grant had signed grant agreements with the Company and completed the payment to subscribe for a total of 371,600 restricted A Shares, and the registration of the relevant Shares was completed on 21 September 2023. On the grant date of the reserved grant and the last trading day immediately preceding the grant date (i.e. 31 August 2023), the closing prices of the A Shares of the Company were RMB28.01 and RMB27.93 per share, respectively. The fair value of the 371,600 restricted A Shares granted and subscribed under the reserved grant on the grant date of the reserved grant amounted to RMB10,408,516.

On 27 September 2023, the Board and the Supervisory Committee resolved that the Company shall forfeit the corresponding cash dividends for the year of 2022 held by the Company from a total of the 129,500 restricted A Shares granted to 10 participants in the first grant but not yet unlocked, and the Company shall repurchase and cancel those restricted A Shares due to the repurchase and cancellation situations as set out in the Restricted A Share Incentive Scheme arising from the retirement and resignation of those 10 participants. The total repurchase price amounted to RMB2,769,052.98. The cancellation of the relevant Shares was completed on 23 November 2023.

On 1 January 2023 and 31 December 2023, the maximum number of restricted A Shares to be granted under the Restricted A Share Incentive Scheme was 686,800 Shares and 0 Share, respectively. During the Reporting Period, the number of restricted A Shares that the Company may grant under the Restricted A share Incentive Scheme did not exceed 686,800 shares, representing approximately 0.03% of the weighted average number of the total number of A Shares issued by the Company in 2023.

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

Participant(s)	Grant date	Grant price (RMB/share)	Lock-up period	Number of restricted A Shares granted and issued as at 1 January 2023 (shares)	Not yet unlocked as at 1 January 2023 (shares)	Change during the Reporting Period (shares)			Number of restricted A Shares granted and issued as at 31 December 2023 (shares)	Number of restricted A Shares not yet unlocked as at 31 December 2023 (shares)
						Granted during the Reporting Period	Unlocked during the Reporting Period	Lapsed/ cancelled during the Reporting Period		
Wu Yifang	1 December 2022	21.29	From 13 December 2022 to 12 December 2025[1]	257,200	257,200	0	0	0	257,200	257,200
Wang Kexin	1 December 2022	21.29	From 13 December 2022 to 12 December 2025[1]	215,200	215,200	0	0	0	215,200	215,200
Guan Xiaohui	1 December 2022	21.29	From 13 December 2022 to 12 December 2025[1]	187,100	187,100	0	0	0	187,100	187,100
Wen Deyong	1 December 2022	21.29	From 13 December 2022 to 12 December 2025[1]	187,100	187,100	0	0	0	187,100	187,100
Subtotal				846,600	846,600	0	0	0	846,600	846,600
Other participants	1 December 2022	21.29	From 13 December 2022 to 12 December 2025[1]	1,654,800	1,654,800	0	0	129,500	1,525,300	1,525,300
Other participants	1 September 2023	21.29	From 21 September 2023 to 20 September 2025[2]	—	—	371,600	0	0	371,600	371,600
Total				2,501,400	2,501,400	371,600	0	129,500	2,743,500	2,743,500

Notes:

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

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

(2) Upon fulfilment of certain unlocking conditions of the Restricted A Share Incentive Scheme (including Group level performance appraisal and individual level performance appraisal of participants, please refer to the Company's circular dated 31 October 2022 for details), the arrangement for the unlocking of restricted A Shares granted on 1 September 2023 is as follows:

Lock-Up period	Unlocking period	Maximum proportion of the unlocked restricted Shares in the total restricted Shares to be granted
From 21 September 2023 to 20 September 2024	From 21 September 2024 to 20 September 2025	50%
From 21 September 2023 to 20 September 2025	From 21 September 2025 to 20 September 2026	50%

The impact of the implementation of the Restricted A Share Incentive Scheme on the Group's accounting costs for each period would be calculated and amortized in accordance with the requirements of the HKFRS.

2022 H Share Employee Share Ownership Scheme

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

(1) Purpose

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

(2) Participants

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

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

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

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

The Company has entrusted Changjiang Pension to be the management agency of the H Share Employee Share Ownership Scheme (the maximum fund size of the first grant is RMB53,500,000 and the maximum fund size of the reserved grant (not yet granted in 2022) is RMB14,692,500) and to carry out the daily management of the H Share Employee Share Ownership Scheme through the Changjiang Pension Employee Share Ownership Product in 2022. From 12 December 2022 to 29 December 2022 (both days inclusive), the Changjiang Pension Employee Share Ownership Product purchased 2,837,000 H Shares of the Company through the Shanghai-Hong Kong Stock Connect trading system, representing 0.11% of the total share capital and 0.51% of the total number of H Shares of the Company (i.e. 551,940,500 Shares). The total trading amount was approximately HK$74.87 million (excluding trading fees), and the average trading price was HK$26.39 per share. The remaining capital of the employee share ownership product will be used for liquidity management. As at 29 December 2022, the H Share Employee Share Ownership Scheme had completed the purchase of relevant H Shares, which were locked up in accordance with the regulations.

(4) Term, lock-up period and vesting

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

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

The units under the first grant of the H Share Employee Share Ownership Scheme (granted in 2022) shall be vested according to the performance appraisal results at the Group level and the performance appraisal results of the respective holder at the individual level in three batches. The specific vesting periods and vesting arrangements are set out below:

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

The units under the reserved grant of the H Share Employee Share Ownership Scheme (granted in 2023) shall be vested according to the performance appraisal results at the Group level and the performance appraisal results of the respective holder at the individual level in three batches. The specific vesting periods and vesting arrangements are set out below:

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

Pursuant to the H Share Employee Share Ownership Scheme and under the authorization of the aforesaid extraordinary general meeting, on 1 September 2023, the Board and the Supervisory Committee resolved to grant a total of 8,990,000 units under the H Share Employee Share Ownership Scheme to 94 proposed participants under the reserved grant on 1 September 2023, as the grant date of the reserved grant. On 22 September 2023, as 14 proposed participants under the reserved grant voluntarily decided not to participate in the reserved grant, the Board resolved to adjust the number of the holders under the reserved grant to 80 from 94 and the units to be granted under the reserved grant to 7,994,000 from 8,990,000. On the grant date of the reserved grant and the last trading day immediately preceding the grant date (i.e. 31 August 2023), the closing prices of the H Shares of the Company were HK$18.46 and HK$18.46 per Share, respectively. The fair value of the 7,994,000 H Share Employee Share Ownership Scheme units granted under the reserved grant and accepted during the Reporting Period amounted to RMB5,887,581 on the grant date of the reserved grant.

On 27 September 2023, the Board and the Supervisory Committee resolved that the management committee of the H Share Employee Share Ownership Scheme shall forfeit a total of 2,770,000 units under the H Share Employee Share Ownership Scheme granted to 10 holders in the first grant but not yet vested on the ground that these 10 holders in the first grant had retired or resigned.

On 1 January 2023 and 31 December 2023, the number of units to be granted under the H Share Employee Share Ownership Scheme was 14,692,000 units and 0 unit, respectively.

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

Participant(s)	Grant date	Lock-up period	Number of units granted as at 1 January 2023 (units)	Not yet vested as at 1 January 2023 (units)	Change during the Reporting Period (shares)			Number of units granted as at 31 December 2023 (units)	Not yet vested as at 31 December 2023 (units)
					Granted during the Reporting Period	Vested during the Reporting Period	Lapsed/ cancelled during the Reporting Period		
Wu Yifang	29 November 2022[1]	From 29 December 2022 to 28 December 2025[2]	5,500,000	5,500,000	0	0	0	5,500,000	5,500,000
Wang Kexin	29 November 2022[1]	From 29 December 2022 to 28 December 2025[2]	4,600,000	4,600,000	0	0	0	4,600,000	4,600,000
Guan Xiaohui	29 November 2022[1]	From 29 December 2022 to 28 December 2025[2]	4,000,000	4,000,000	0	0	0	4,000,000	4,000,000
Wen Deyong	29 November 2022[1]	From 29 December 2022 to 28 December 2025[2]	4,000,000	4,000,000	0	0	0	4,000,000	4,000,000
Subtotal			18,100,000	18,100,000	0	0	0	18,100,000	18,100,000
Other participants	29 November 2022[1]	From 29 December 2022 to 28 December 2025[2]	35,400,000	35,400,000	0	0	2,770,000	32,630,000	32,630,000
Other participants	1 September 2023	From 1 September 2023 to 31 August 2025[3]	—	—	7,994,000	0	0	7,994,000	7,994,000
Total			53,500,000	53,500,000	7,994,000	0	2,770,000	58,724,000	58,724,000

Notes:

(1) The H Share Employee Share Ownership Scheme (including the first grant under the H Share Employee Share Ownership Scheme) was approved to be implemented by the Shareholders of the Company on 29 November 2022. Therefore, the grant date of the first grant under the H Share Employee Share Ownership Scheme was 29 November 2022.

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

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

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

Lock-up period	Vesting period	Maximum proportion of the units that can be vested in the total number of units granted
From 1 September 2023 to 31 August 2024	From 1 September 2024 to 31 August 2025	50%
From 1 September 2023 to 31 August 2025	From 1 September 2025 to 31 August 2026	50%

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

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

DONATIONS

During the Reporting Period, the Group made donations of approximately RMB45.91 million.

CONNECTED TRANSACTIONS

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

(A) Non-exempt Connected Transactions

1 As disclosed in the announcement of the Company dated 6 January 2023, on 6 January 2023, Ningbo Fuying, a subsidiary of the Company, and Fosun High Tech entered into two transfer agreements, pursuant to which Ningbo Fuying will acquire the share of equity interests subscribed and yet to be paid up by Fosun High Tech comprising (1) RMB64 million in the capital of Suzhou Fujian Xingyi Venture Investment Partnership (Limited Partnership)* (蘇州復健星熠創業投資合夥企業(有限合夥)) and (2) RMB17.50 million in the capital of Tianjin Fosun Haihe Healthcare Industry Fund Partnership (Limited Partnership)* (天津復星海河醫療健康產業基金合夥企業(有限合夥)).

As Fosun High Tech is a controlling shareholder of the Company, Fosun High Tech constitutes a connected person of the Company pursuant to Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transactions under such transfer agreements constitute connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

2 As disclosed in the announcement of the Company dated 30 March 2023, on 30 March 2023, the Company entered into a capital increase agreement with Fosun Health Holding, pursuant to which the Company and Fosun Health Holding intended to make capital contribution in proportion to their respective shareholdings in Fujian Fund Management Company. In particular, the Company intended to subscribe for additional registered capital of RMB24 million in Fujian Fund Management Company.

As Fosun Health Holding is a subsidiary of Fosun High Tech, a controlling shareholder of the Company, Fosun Health Holding is an associate of Fosun High Tech, and is a connected person of the Company; In addition, on the date of signing the above agreement, Fujian Fund Management Company is held as to 60% and 40% by the Company and Fosun Health Holding respectively, therefore Fujian Fund Management Company constitutes a connected subsidiary of the Company and a connected person of the Company. As such, the transactions under the capital increase agreement constitute connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

3 As disclosed in the announcement of the Company dated 30 March 2023, on 30 March 2023, Nanjing Fuxin Equity Investment Management Partnership (Limited Partnership)* (南京復鑫股權投資管理合夥企業(有限合夥)), a subsidiary of the Company, Nanjing Industrial Development Fund Co., Ltd.* (南京市產業發展基金有限公司), Nanjing Yangtze River Innovation and Entrepreneur Investment Fund (Limited Partnership)* (南京揚子江創新創業投資基金(有限合夥)), Ningbo Fuying, Fosun High Tech and Suzhou Loucheng International Development High and New Technology Industrial Investment Corporation (Limited Partnership)* (蘇州婁城國發高新技術產業投資企業(有限合夥)), entered into a supplemental agreement to a partnership agreement in relation to the capital reduction in Xingjian Ruiying Fund. As the subscribed contributions in respect of such capital reduction have yet been paid up, the consideration for the capital reduction is determined to be RMB nil. No consideration is payable by Xingjian Ruiying Fund to any of the parties to the capital reduction.

As Fosun High Tech is a controlling shareholder of the Company, Fosun High Tech constitutes a connected person of the Company pursuant to Rule 14A.07 of the Hong Kong Listing Rules. As Fosun High Tech is one of the parties of such supplemental agreement, the transactions under such supplemental agreement constitute connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

4 As disclosed in the announcement of the Company dated 21 July 2023, on 21 July 2023, the Company and Ningbo Fuying, a subsidiary of the Company, and Fosun High Tech entered into two transfer agreements, pursuant to which (1) Ningbo Fuying intended to acquire the equity interest subscribed and paid-up in the amount of RMB64.00 million of Suzhou Fund and RMB52.50 million of Tianjin Fund from Fosun High Tech at a consideration of RMB70.47 million and RMB59.89 million, respectively, (2) the Company intended to acquire the equity interest subscribed and paid-up in the amount of RMB2.96 million of Suzhou Xingchen (being the GP of Suzhou Fund) and RMB1.48 million of Tianjin Xingyao (being the GP of Tianjin Fund) from Fosun High Tech at a consideration of RMB2.96 million and RMB1.48 million, respectively. Upon completion of such transfers, the subscribed equity interests held by the Group in Suzhou Fund, Tianjin Fund, Suzhou Xingchen and Tianjin Xingyao were 33%, 33%, 75% and 75%, respectively.

As Fosun High Tech is a controlling shareholder of the Company, Fosun High Tech constitutes a connected person of the Company pursuant to Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transactions under such transfer agreements constitute connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

5. As disclosed in the announcement of the Company dated 5 May 2023, on 5 May 2023, the Company entered into the original share subscription agreement with Guangdong Shunde Science and Technology Group Co., Ltd.* (廣東順德科創集團有限公司) and United Health Insurance. Each of the Company and Guangdong Shunde Science and Technology Group Co., Ltd. proposed to contribute capital in the amount of RMB248.8832 million to subscribe for 97.22 million new shares (corresponding to an additional registered capital of RMB97.22 million) in United Health Insurance, respectively.

As disclosed in the announcement of the Company dated 19 October 2023, on 19 October 2023, the Company entered into a termination agreement of the share subscription agreement with Guangdong Shunde Science and Technology Group Co., Ltd. and United Health Insurance, pursuant to which all parties agreed to cease to perform the original share subscription agreement and agreed to return all paid subscription amounts and agreed interests by United Health Insurance to the Company and Guangdong Shunde Science and Technology Group Co., Ltd. On the same date, the Company entered into a new share subscription agreement with Guangzhou Nansha Technology Financial Holding Group Limited* (廣州南沙科金控股集團有限公司) and United Health Insurance, pursuant to which each of the Company and Guangzhou Nansha Technology Financial Holding Group Limited proposed to contribute capital in the amount of RMB248.8832 million to subscribe for 97.22 million new shares (corresponding to an additional registered capital of RMB97.22 million) in United Health Insurance, respectively. Upon completion of the transaction under the new share subscription agreement, the Company shall hold approximately 14% of the equity interest in United Health Insurance.

As Fosun High Tech is a controlling shareholder of the Company, Fosun High Tech consitutes a connected person of the Company pursuant to Rule 14A.07 of the Hong Kong Listing Rules. In addition, as Fosun High Tech (through Shanghai Fosun Industrial Investment Co., Ltd.* (上海復星產業投資有限公司)) is interested in over 10% of the total equity interest in United Health Insurance, it is therefore a substantial shareholder of United Health Insurance. Therefore, the transaction under the new share subscription agreement constitutes a connected transaction of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

6. As disclosed in the announcement of the Company dated 30 October 2023, on 30 October 2023, the Company and Fosun Health Holding entered into an equity transfer agreement, pursuant to which the Company proposed to purchase the 40% equity interest in Fujian Fund Management Company held by Fosun Health Holding for a consideration of RMB22.2058 million. Upon the completion of the transaction under the equity transfer agreement, the equity interest in Fujian Fund Management Company held by the Company shall increase from 60% to 100%.

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

7. As disclosed in the announcement of the Company dated 28 November 2023, on 28 November 2023, the Company issued the Right of First Refusal Waiver to Fosun Finance to waive its right of first refusal in respect of the 9% equity interest in Fosun Finance held by Nanjing Iron & Steel United to be transferred by it, pursuant to which Nanjing Iron & Steel United proposed to transfer a total of 9% equity interest it held in Fosun Finance to Hainan Mining and Tuopai Group for a total consideration of RMB172.990669 million. The Company did not receive or pay any consideration as a result of the non-exercise of the right of first refusal. After the non-exercise of the right of first refusal, the shareholding percentage of the Company in Fosun Finance remains unchanged (i.e. 20%).

   As Mr. Guo Guangchang is the ultimate beneficial owner of Fosun High Tech, a controlling shareholder of the Company, Mr. Guo Guangchang is a connected person of the Company pursuant to Rule 14A.07 of the Hong Kong Listing Rules. As Mr. Guo Guangchang is the ultimate beneficial owner of over 30% equity interest in Nanjing Iron & Steel United (i.e. the transferor of the equity transfer) and each of Hainan Mining and Tuopai Group (i.e. the transferees of the equity transfer), Nanjing Iron & Steel United, Hainan Mining and Tuopai Group are associates of Mr. Guo Guangchang and also connected persons of the Company. Therefore, the non-exercise of the right of first refusal by the Company constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

(B) Non-exempt Continuing Connected Transactions

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

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

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

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

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

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

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

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

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

5. As disclosed in the announcement of the Company dated 29 August 2022, as well as the circular dated 31 October 2022, on 29 August 2022, the Company entered into a financial services agreement with Fosun Finance (as service provider) to renew the financial services agreement expiring on 31 December 2022 for a term of three years commencing from 1 January 2023 and ending on 31 December 2025.

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

6. As disclosed in the announcement of the Company dated 22 December 2022, on 22 December 2022, the Company and CQ Pharma Holdings entered into a mutual supply agreement in relation to the supply of sales products and the purchase of procurement products, and the provision of services between the Group and CQ Pharma Holdings and its subsidiaries for a term of three year commencing from 1 January 2023 and ending on 31 December 2025.

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

7. As disclosed in the announcement of the Company dated 22 December 2022, on 22 December 2022, the Company and Fosun International entered into a lessee framework agreement (the "**2023 Lessee Framework Agreement**") in relation to the lease of relevant premises of Fosun International and/or its associates to relevant members of the Group, as tenant, for a term of 1 year commencing from 1 January 2023 and ending on 31 December 2023. On the same date, the Company and Fosun International entered into a lessor framework agreement (the "**2023 Lessor Framework Agreement**") in relation to the lease of relevant premises of Fosun Pharma by Fosun International and/or its associates from relevant members of the Group, as lessor, for a term of 1 year commencing from 1 January 2023 and ending on 31 December 2023.

   As disclosed in the announcement of the Company dated 15 December 2023, as the 2023 Lessee Framework Agreement was about to expire, on 15 December 2023, the Company entered into a new lessee framework agreement with Fosun International to renew the 2023 Lessee Framework Agreement for a term of 1 year commencing from 1 January 2024 and ending on 31 December 2024. On the same date, as the 2023 Lessor Framework Agreement was about to expire, the Company entered into a new lessor framework agreement with Fosun International to renew the 2023 Lessor Framework Agreement for a term of 1 year commencing from 1 January 2024 and ending on 31 December 2024.

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

8. As disclosed in the announcements of the Company dated 22 December 2022, on 22 December 2022, the Company and Fosun International entered into a mutual supply framework agreement (the "**2023 Fosun International Mutual Supply Framework Agreement**") in relation to the mutual supply of products and provision of services between the Group and Fosun International and/or its associates, for a term of 1 year commencing from 1 January 2023 and ending on 31 December 2023.

   As disclosed in the announcement of the Company dated 15 December 2023, as the 2023 Fosun International Mutual Supply Framework Agreement was about to expire, on 15 December 2023, the Company entered into a new mutual supply framework agreement with Fosun International to renew the 2023 Fosun International Mutual Supply Framework Agreement for a term of 1 year commencing from 1 January 2024 and ending on 31 December 2024.

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

9. As disclosed in the announcement of the Company dated 30 March 2023, Anji Innovative MedTech Fund and Fujian Fund Management Company proposed to enter into a fund management agreement, pursuant to which Fujian Fund Management Company shall be the fund manager of Anji Innovative MedTech Fund to provide fund management services for a term commencing from the closing date of the fund and ending on 31 December 2025. The Anji Innovative MedTech Fund management agreement was entered into on 29 April 2023.

   Xuzhou Innovative MedTech Fund and Fujian Fund Management Company proposed to enter into a fund management agreement, pursuant to which Fujian Fund Management Company shall be the fund manager of Xuzhou Innovative MedTech Fund to provide fund management services for a term commencing from the closing date of the fund and ending on 31 December 2025. The Xuzhou Innovative MedTech Fund management agreement was entered into on 29 April 2023.

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

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

Certain details of the continuing connected transactions during the year ended 31 December 2023 are summarized in the table below.

Connected persons	Type of the Transaction	Actual amount of Transaction 2023 RMB	Annual cap for the Transaction 2023 RMB
Fosun International and its associates	Leasing of premises and receiving property management services by the Group from Fosun International and its associates (Short-term leases/Low-value leases)	51,847,639	80,000,000
	Leasing of premises and provision of property management services by the Group to Fosun International and its associates (Short-term leases/Low-value leases)	1,443,672	40,000,000
		53,291,311	**120,000,000**

Connected persons	Type of the Transaction	Actual amount of Transaction 2023 RMB	Annual cap for the Transaction 2023 RMB
Fosun International and its associates	The Group's acceptance of the services provided by Fosun International and its associates	66,225,805	100,000,000
	The purchase of products by the Group from Fosun International and its associates	14,001,579	80,000,000
	The provision of services by the Group to Fosun International and its associates	15,388,911	30,000,000
	The sales of products by the Group to Fosun International and its associates	20,395,396	80,000,000
		116,011,691	**290,000,000**

Connected persons	Type of the Transaction		Actual amount of Transaction 2023 RMB	Annual cap for the Transaction 2023 RMB
Fosun Finance	Provision of financial services by Fosun Finance to the Group:			
	(a)	Maximum daily amount of the credit facility granted by Fosun Finance to the Group	433,832,806	2,000,000,000
	(b)	Maximum daily balance of deposits placed by the Group with Fosun Finance	1,989,388,255	2,000,000,000
	(c)	Fees and charges paid by the Group to Fosun Finance for settlement services and other financial services	—	1,000,000

Connected persons	Type of the Transaction	Actual amount of Transaction 2023 RMB	Annual cap for the Transaction 2023 RMB
CQ Pharma Holdings	Sales of products by the Group to CQ Pharma Holdings and its subsidiaries	1,022,759,710	1,600,000,000
	Purchase of products by the Group from CQ Pharma Holdings and its subsidiaries	182,455,124	400,000,000
	The provision of services by the Group to CQ Pharma Holdings and its subsidiaries	—	5,000,000
	The provision of services by the Group from CQ Pharma Holdings and its subsidiaries	905,567	20,000,000
		1,206,120,401	**2,025,000,000**

Connected persons	Type of the Transaction	Actual amount of Transaction 2023 RMB	Annual cap for the Transaction 2023 RMB
Fujian Fund Management Company	Provision of fund management services by Fujian Fund Management Company to Xingjian Ruiying Fund	15,039,623	30,000,000
	Provision of fund management services by Fujian Fund Management Company to Anji Fund	3,891,509 *(Note)*	5,000,000
	Provision of fund management services by Fujian Fund Management Company to Xuzhou Fund	3,658,019 *(Note)*	5,000,000
	Provision of fund management services by Fujian Fund Management Company to Dalian Fund	9,433,962	10,000,000
	Provision of fund management services by Fujian Fund Management Company to Suzhou Xingweilai Fund	3,264,151	10,000,000
	Provision of fund management services by Fujian Fund Management Company to Anji Innovative MedTech Fund	— *(Note)*	15,000,000
	Provision of fund management services by Fujian Fund Management Company to Xuzhou Innovative MedTech Fund	— *(Note)*	15,000,000
		35,287,264	**90,000,000**

Note: The Company and Fosun Health Holding entered into an equity transfer agreement on 30 October 2023, pursuant to which the Company acquired 40% equity interest in Fujian Fund Management Company from it. Further details are set out in the Company's announcement dated 30 October 2023. After the completion of the aforesaid equity transfer, Fujian Fund Management Company has become a wholly-owned subsidiary of the Company, and as such from 1 November 2023 onwards, no longer constitute a connected person of the Company. Provision of fund management services by Fujian Fund Management Company to Anji Fund, Xuzhou Fund, Anji Innovative MedTech Fund and Xuzhou Innovative MedTech Fund will no longer constitute connected transactions.

The Board (including independent non-executive Directors) has reviewed the continuing connected transactions as described above and confirmed that in 2023, such transactions have been entered into:

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

(ii) on normal commercial terms or better; and

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

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

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

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

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

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

RELATED PARTY TRANSACTIONS

During the Reporting Period, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of the related party transactions entered into by the Group during the Reporting Period are disclosed in note 47 to the financial statements. Save as disclosed in the paragraph headed "Connected Transactions" in this annual report, the related party transactions disclosed in note 47 were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Hong Kong Listing Rules.

NON-COMPETITION UNDERTAKING

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

SUBSEQUENT EVENTS

Details of significant subsequent events of the Group are set out in note 53 to the financial statements.

USE OF PROCEEDS

Pursuant to the Reply on Approval for Non-Public Issuance of Shares of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (《關於核准上海復星醫藥(集團)股份有限公司非公開發行股票的批覆》) (Zheng Jian Xu Ke [2021] No. 2501) by the CSRC, the Company completed the issuance of 106,756,666 new A Shares (with a nominal value of RMB1.00 per share) in July 2022. The issuance price of the 2022 Non-public Issuance of A Shares was RMB42.00 per share, and the total amount of proceeds raised was RMB4,483.78 million. The net amount of the aforementioned total proceeds after deducting the issuance expenses was RMB4,456.20 million.

In order to speed up the progress of R&D of innovative drugs and improve the efficiency of the use of proceeds, taking into account the progress of the innovative R&D projects of the Group, as approved by the 2023 first extraordinary general meeting of the Company convened on 13 October 2023, the Company made adjustments to the use of proceeds from the 2022 Non-Public Issuance of A Shares, including (1) the proposed application of the proceeds originally planned for use in the "intensive comprehensive base for APIs and preparations" project amounting to RMB193.14 million (being the portion that has not been invested) to the "innovative drug clinical, license in and relevant marketing preparation" project; and (2) the proposed optimization of the investment allocation among the sub-projects under the "innovative drug clinical, license in and relevant marketing preparation" project, i.e. (a) reducing the investment amount from proceeds of RMB257.73 million and RMB72.32 million (being the portion that has not been invested) in sub-projects "Balixafortide" and "Novel coronavirus mRNA vaccines", respectively, (b) adding the investment amount from proceeds of RMB194.07 million for sub-project "FS-1502", and (c) adding sub-projects "FCN-338" and "SAF-189" thereunder with investment amount from proceeds of RMB186.21 million and RMB142.90 million, respectively. For details, please refer to the announcement dated 18 August 2023 and the circular dated 14 September 2023 of the Company.

As at 31 December 2023, RMB3,671.38 million of the net proceeds raised from the Non-public Issuance had been utilized, details of which are as follows:

Unit: million Currency: RMB

Project name	Proposed investment amount from the proceeds	Actual accumulated amount of the proceeds invested as at 31 December 2023
Innovative drug clinical, license in and relevant marketing preparation	2,607.62	1,428.33
Intensive comprehensive base for APIs and preparations	1,156.16	1,010.63
Replenishment of working capital	1,232.42	1,232.42
Total	**4,456.20**	**3,671.38**

As at 31 December 2023, the remaining proceeds raised from the Non-public Issuance was RMB784.82 million, which will be invested to the proposed projects in 2024.

THE MODEL CODE AND THE WRITTEN CODE

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

COMPLIANCE WITH THE CG CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code contained in Appendix C1 to the Hong Kong Listing Rules. The Board is of the view that, during the Reporting Period, the Company has complied with all the applicable code provisions as set out in the CG Code.

Further information on the corporate governance practices of the Company is set out in the Corporate Governance Report on pages 112 to 122 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

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

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

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

ENVIRONMENTAL POLICY AND PERFORMANCE

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

AUDIT COMMITTEE

As at the end of the Reporting Period, the Audit Committee of the ninth session of the Board comprised independent non-executive Directors Mr. Tang Guliang (chairman), Ms. Li Ling and Mr. Wang Quandi.

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

The Audit Committee of the Company has reviewed the 2023 annual results of the Group.

AUDITORS

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

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

On Behalf of the Board
Wu Yifang
Chairman

Shanghai, PRC
26 March 2024

Supervisory Committee Report

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

In 2023, the ninth sessions of the Supervisory Committee of the Company carried out the work diligently, lawfully and efficiently in accordance with the Articles of Association and the Rules of Procedures for the Supervisory Committee's Meeting of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (《上海復星醫藥(集團)股份有限公司監事會議事規則》):

Supervisors attended relevant board meetings, and held 8 Supervisory Committee Meetings in 2023. Details are as follows:

1. On 27 March 2023, the first meeting of the ninth session of the Supervisory Committee in 2023 was convened to review and approve the 2022 Annual Report of the Group, the Working Report of the Supervisory Committee for 2022, the 2022 Internal Control Assessment Report and the Special Report of the Placement and Actual Use of the Proceeds in 2022, and the resolution in relation to the election of Supervisors.

2. On 28 April 2023, the second meeting of the ninth session of the Supervisory Committee in 2023 was convened to review and approve the 2023 First Quarterly Report of the Group.

3. On 21 July 2023, the third meeting of the ninth session of the Supervisory Committee in 2023 was convened to review and approve the resolution in relation to the Temporary Replenishment of Working Capital with Some of the Idle Proceeds.

4. On 18 August 2023, the fourth meeting of the ninth session of the Supervisory Committee in 2023 was convened to review and approve the resolution in relation to the Adjustment to the Investment Amount into Some of the Projects Funded by Proceeds From the 2022 Non-Public Issuance and the Addition of Sub-Projects Funded by Proceeds.

5. On 29 August 2023, the fifth meeting of the ninth session of the Supervisory Committee in 2023 was convened to review and approve the 2023 Interim Report of the Group, the Special Report of the Placement and Actual Use of the Proceeds in the first half of 2023 of the Group and the 2023 Interim Internal Control Assessment Report.

6. On 1 September 2023, the sixth meeting of the ninth session of the Supervisory Committee in 2023 was convened to review and approve the resolutions in relation to the Reserved Grant of the Restricted A Shares Incentive Scheme and the Reserved Grant of the H Share Employee Share Ownership Scheme.

7. On 27 September 2023, the seventh meeting of the ninth session of the Supervisory Committee in 2023 was convened to review and approve the resolution in relation to the Repurchase and Cancellation of Certain Restricted A Shares that are not yet Unlocked.

8. On 30 October 2023, the eighth meeting of the ninth session of the Supervisory Committee in 2023 was convened to review and approve the 2023 Third Quarterly Report of the Group.

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

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

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

The Supervisory Committee agrees with the audit opinion issued by Ernst & Young Hua Ming LLP and Ernst & Young on the 2023 financial report of the Group.

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

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

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

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

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

The Supervisory Committee has reviewed the 2023 Internal Control Assessment Report of the Group, and considers that the Group has established an appropriate internal control system in all material respects. During the Reporting Period, the internal control system has operated efficiently, which ensures the implementation of the internal control measures and the normal conduct of production and operation.

On Behalf of the Supervisory Committee
Ren Qian
Chairman

Shanghai, PRC
26 March 2024

Corporate Governance Report

The Board hereby presents to the Shareholders the corporate governance report of the Group for the year ended 31 December 2023 (the "**Corporate Governance Report**").

CORPORATE GOVERNANCE PRACTICES

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

The Company's corporate governance practices are based on the principles and Code Provisions as set out in the CG Code contained in Appendix C1 to the Hong Kong Listing Rules.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Hong Kong Listing Rules and formulated the Written Code as its code of conduct regarding securities transactions.

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

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

BOARD OF DIRECTORS

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

The composition of the Board is as follows:

Executive Directors:

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

Non-executive Directors:

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

Independent non-executive Directors:

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

Biographical information of the Directors is set out on pages 123 to 127 of this annual report.

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

Chairman of the Board and Chief Executive Officer of the Company

During the Reporting Period, the positions of chairman and chief executive officer of the Company were served by Mr. Wu Yifang and Mr. Wen Deyong, respectively. The chairman provides leadership and is responsible for the effective functioning of the Board. The chief executive officer generally focuses on the business development and daily management and operation of the Group. Their respective duties have been clearly defined in written form.

Independent Non-executive Directors

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

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

Appointment, Removal and Re-election of Directors

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

Responsibilities, Accountabilities and Contributions of the Board and the Management

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

According to the records maintained by the Company, for the year ended 31 December 2023, all Directors received training with an emphasis on the roles, functions and duties as a director of a listed company in compliance with the code provisions relating to continuous professional development under the CG Code. In addition, relevant training, reading materials and legal and regulatory updates have been provided to the Directors for their reference and studying. The continuous professional development records of the Directors for the year ended 31 December 2023 are set out in the table on page 117 of this annual report.

BOARD COMMITTEES

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

The majority of the members of each Board committee (except the Strategic Committee) are independent non-executive Directors, and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

Strategic Committee

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

During the Reporting Period, the Strategic Committee held 1 meeting to research and advise on the strategic planning of the Group's 2023-to-2033 period and medium and long-term development.

Audit Committee

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

During the Reporting Period, the Audit Committee held 14 meetings to review periodic reports, audit plan, internal control implementation, major and ongoing related party/connected transactions, and make recommendations to the Group on strengthening the internal control system.

During the Reporting Period, the Audit Committee also held 2 meetings with the external auditors without the presence of the executive Directors.

Nomination Committee

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

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

During the Reporting Period, the Nomination Committee held 2 meetings to discuss, approve and make recommendations to the Board on matters relating to the selection of senior management of the Company. The Nomination Committee considered an appropriate balance of diversity of the Board had been maintained.

Remuneration and Appraisal Committee

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

During the Reporting Period, the Remuneration and Appraisal Committee held 3 meetings to review the performance appraisal and remuneration packages of the executive Directors and senior management of the Company during the prior year and the appraisal plan for the current year, to discuss and review the reserved grant and share repurchase of the Restricted A Share Incentive Scheme and the H Share Employee Share Ownership Scheme of the Company, and to make recommendations to the Board. The Remuneration and Appraisal Committee is of the view that the implementation of the reserved grant of the Restricted A Share Incentive Scheme and the H Share Employee Share Ownership Scheme shall promote the establishment and improvement of the incentive and restraint mechanism of the Group, fully mobilize the enthusiasm of the senior management personnel of the Company and employees of the Group, effectively align the interests of the Company and Shareholders with the interests of the participants to focus the long-term development and achieve the development goals of the Group.

ESG Committee

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

During the Reporting Period, the ESG Committee held 2 meetings to review the 2022 ESG report and the working plan for the 2023 ESG and Sustainability Report of the Group, and make recommendations to the Board.

CORPORATE GOVERNANCE RESPONSIBILITIES

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

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

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

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

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

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

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board meetings and Board committee meetings of the Company held for the year ended 31 December 2023 is set out in the table below:

	Attendance/Number of Meetings							
Name of Directors	Board	Strategic Committee	Audit Committee	Nomination Committee	Remuneration and Appraisal Committee	ESG Committee	General Meeting[1]	Continuous Professional Development
Executive Directors								
Mr. Wu Yifang	20/20	1/1(C)				2/2(M)	4/4	✓
Mr. Wang Kexin	20/20						4/4	✓
Ms. Guan Xiaohui[2]	20/20					1/1(M)	4/4	✓
Mr. Wen Deyong	20/20						4/4	✓
Non-executive Directors								
Mr. Chen Qiyu	20/20	1/1(M)			3/3(M)		0/4	✓
Mr. Yao Fang	20/20	1/1(M)					1/4	✓
Mr. Xu Xiaoliang	20/20	1/1(M)					0/4	✓
Mr. Pan Donghui	20/20			2/2(M)	3/3(M)		0/4	✓
Independent Non-executive Directors								
Ms. Li Ling	20/20	1/1(M)	14/14(M)	2/2(M)		2/2(M)	3/4	✓
Mr. Tang Guliang	20/20		14/14(C)		3/3(M)		4/4	✓
Mr. Wang Quandi[3]	20/20		14/14(M)	2/2(C)	3/3(M)	1/1(M)	4/4	✓
Mr. Yu Tsz Shan Hailson	20/20				3/3(C)	2/2(C)	4/4	✓

Notes:

(1) During the Reporting Period, the Company held a total of 4 general meetings, including 1 annual general meeting, 1 extraordinary general meeting, 1 A Shareholders class meeting and 1 H Shareholders class meeting.

(2) Ms. Guan Xiaohui was appointed as a member of the ESG Committee on 30 October 2023. During her term of office in the Reporting Period, she was required to attend 1 meeting of the ESG Committee.

(3) Mr. Wang Quandi was appointed as a member of the ESG Committee on 30 October 2023. During his term of office in the Reporting Period, he was required to attend 1 meeting of the ESG Committee.

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

During the year ended 31 December 2023, the Company convened a meeting among the chairman and independent non-executive Directors only without the presence of other Directors.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2023. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 262 to 267.

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services for the annual report for the year ended 31 December 2023 amounted to RMB4.66 million. There is no remuneration paid to external auditors in respect of significant non-audit services.

INTERNAL CONTROL

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

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

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

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

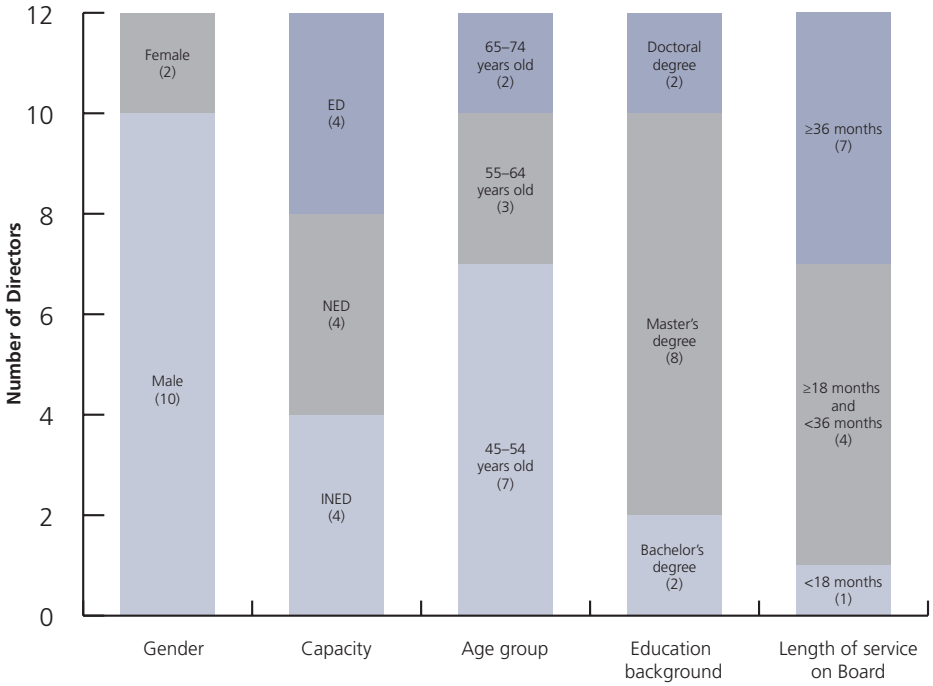
The Board believes that existing internal control system was adequate and effective during the Reporting Period.

JOINT COMPANY SECRETARIES

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

DIVERSITY

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



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

RIGHTS OF SHAREHOLDERS

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

(1) Shareholder's Requests to Convene an Extraordinary General Meeting

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

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

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

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

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

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

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

(2) Proposals of General Meetings

Pursuant to Article 76 of the Articles of Association, Shareholder(s) individually or jointly holding more than three percent (3%) of the shares of the Company shall have the right to propose motions to the Company, and the Company shall include in the agenda of the said general meeting the matters of the said motions falling within the functions and powers of general meetings. In addition, Shareholder(s) individually or jointly holding more than three percent (3%) of the shares of the Company may submit written provisional motion(s) to the convener ten (10) days before a general meeting is convened. The convener shall serve a supplementary notice of general meeting within two (2) days after receipt of the motion(s) and announce the contents thereof.

(3) Putting Forward Enquiries to the Board

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

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

(4) Primary Contact Persons

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

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

Based on the authorization granted at the 2022 second extraordinary general meeting, the 2022 second A Shareholders class meeting and the 2022 second H Shareholders class meeting of the Company, the Board approved the resolutions in relation to the amendments to Article 21 and Article 24 to the Articles of Association on 22 September 2023 and 28 November 2023, respectively. The latest version of the Articles of Association is available at the Company's website and the website of Hong Kong Stock Exchange.

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

Biographical Details of Directors, Supervisors and Senior Management

DIRECTORS

Mr. Wu Yifang (吳以芳), aged 54, was appointed as an executive Director of the Company in August 2016 and the chairman of the Company in October 2020. Mr. Wu joined the Group in April 2004 and served as a senior vice president, chief operating officer, president and chief executive officer of the Company. Mr. Wu is currently a non-executive director of Sisram Medical (stock code: 01696), a company listed on the Hong Kong Stock Exchange, and a non-executive director of Shanghai Henlius (stock code: 02696), a company listed on the Hong Kong Stock Exchange. He has been serving as a senior vice president of Fosun International (stock code: 00656), a company listed on the Hong Kong Stock Exchange, since January 2023. Mr. Wu was the chairman of the supervisory committee of Sinopharm (stock code: 01099), a company listed on the Hong Kong Stock Exchange, and a non-executive director of Gland Pharma (stock code: GLAND), a company listed on the BSE and the NSE. Prior to joining the Group, Mr. Wu served at Xuzhou Biochemical Pharmaceutical Factory* (徐州生物化學製藥廠), Xuzhou (Wanbang) Biopharmaceuticals Manufactures Plant* (徐州(萬邦)生物化學製藥廠), and Xuzhou Wanbang Biochemical Pharmaceutical Co., Ltd.* (徐州萬邦生化製藥有限公司) and Wanbang Pharma (where Xuzhou Biochemical Pharmaceutical Factory* (徐州生物化學製藥廠), Xuzhou (Wanbang) Biopharmaceuticals Manufactures Plant* (徐州(萬邦)生物化學製藥廠) and Xuzhou Wanbang Biochemical Pharmaceutical Co., Ltd.* (徐州萬邦生化製藥有限公司) were predecessors of Wanbang Pharma, a subsidiary of the Company). Mr. Wu is currently an executive member of China Society for Drug Regulation (中國藥品監督管理研究會), a vice chairman of China News of Drug Information Association (中國醫藥新聞信息協會), a vice chairman of China Pharmaceutical Enterprise Association (中國醫藥企業管理協會), a vice chairman of China Pharmaceutical Industry Association (中國化學製藥工業協會), a vice chairman of China Non-prescription Medicines Association (中國非處方藥物協會), a vice chairman of the Shanghai Pharmaceutical Profession Association (上海醫藥行業協會), a vice chairman of the China Association of Enterprises with Foreign Investment (中國外商投資企業協會), and a deputy to the 14th People's Congress of Jiangsu province. Mr. Wu graduated from Nanjing University of Science and Technology majoring in international commerce and obtained a master's degree in business administration from Saint Joseph's University in the U.S.

Mr. Wang Kexin (王可心), aged 59, was appointed as an executive Director of the Company in December 2021 and the co-chairman of the Company in June 2022. Mr. Wang joined the Group in June 2010 and served as a vice president, a senior vice president, the co-president and chief investment officer, and the vice chairman of the Company. From January 2022 to July 2023, Mr. Wang served as a vice president of Fosun International (stock code: 00656), a company listed on the Hong Kong Stock Exchange. He has been serving as a senior vice president of Fosun International since July 2023. Prior to joining the Group, Mr. Wang served as the deputy general manager of Sea Rainbow Holding Corporation* (海虹控股醫藥電子商務有限公司), the marketing director of Kunming Pharmaceutical Group Corporation Limited* (昆明製藥集團股份有限公司) (stock code: 600422), a company listed on Shanghai Stock Exchange, the general manager of Kunming Pharmaceutical Retail Company Limited* (昆明製藥藥品銷售有限公司), the general manager of Beijing Huali Jiuzhou Medical Company Limited* (北京華立九州醫藥有限公司), the vice president of Chongqing Huali Pharmaceutical Industry Company Limited* (重慶華立藥業股份有限公司) (former stock code: 000607), a company formerly listed on the Shenzhen Stock Exchange, and the chairman of Beijing Tianren Hexin Pharmaceutical Company Limited* (北京天仁合信醫藥經營有限責任公司). Mr. Wang is a deputy to the 14th People's Congress of Liaoning province. Mr. Wang obtained a bachelor's degree of medicine from Shenyang Pharmaceutical University (formerly known as Shenyang Pharmaceutical College).

Ms. Guan Xiaohui (關曉暉), aged 52, was appointed as an executive Director of the Company in December 2021 and the vice chairman of the Company in January 2022. Ms. Guan joined the Group in May 2000 and served as the assistant to the president, general manager of the financial department, chief accountant, vice president and chief accountant, senior vice president and chief financial officer, the executive president and chief financial officer of the Company. Ms. Guan is currently a non-executive director of Shanghai Henlius (stock code: 02696), a company listed on the Hong Kong Stock Exchange, the chairman of the supervisory committee of Sinopharm (stock code: 01099), a company listed on the Hong Kong Stock Exchange, and a vice-president of Fosun International (stock code: 00656), a company listed on the Hong Kong Stock Exchange. Ms. Guan served as a non-executive director of Sinopharm (stock code: 01099), a company listed on the Hong Kong Stock Exchange, and a non-executive director of Gland Pharma (stock code: GLAND), a company listed on the BSE and the NSE. Prior to joining the Group, Ms. Guan worked at Jiangxi Branch of Industrial and Commercial Bank of China. Ms. Guan graduated from Jiangxi University of Finance and Economics with a bachelor's degree in economics, and graduated from the Chinese University of Hong Kong with a master's degree of professional accountancy. Ms. Guan has the qualifications of a Chinese Certified Public Accountant (CPA) and is a member of the Association of Chartered Certified Accountants (ACCA).

Mr. Wen Deyong (文德鏞), aged 52, was appointed as the chief executive officer of the Company in June 2022 and an executive Director of the Company in August 2022. Mr. Wen joined the Group in May 2002. He worked several positions including a vice president, a senior vice president, the co-president and the president of the Company. Mr. Wen is currently a non-executive director of Shanghai Henlius (stock code: 02696), a company listed on the Hong Kong Stock Exchange, a non-executive director of Sinopharm (stock code: 01099), a company listed on the Hong Kong Stock Exchange, a director of China National Medicines Corporation Ltd.* (國藥集團藥業股份有限公司) (stock code: 600511), a company listed on the Shanghai Stock Exchange, and the chairman of the supervisory committee of China National Accord Medicines Corporation Ltd. (stock code: 000028), a company listed on the Shenzhen Stock Exchange. Mr. Wen was a director of Anhui Sunhere Pharmaceutical Excipients Co., Ltd.* (安徽山河藥用輔料股份有限公司) (stock code: 300452), a company listed on the Shenzhen Stock Exchange. Prior to joining the Group, Mr. Wen worked at Chongqing Yaoyou Factory VI* (重慶製藥六廠), the predecessor of Chongqing Yaoyou Pharmacy Co., Ltd.* (重慶藥友製藥有限責任公司), a subsidiary of the Company. Mr. Wen is currently a deputy of the 16th People's Congress of Shanghai Municipality, a vice president of Shanghai Licensed Pharmacist Association (上海執業藥師協會), a vice president of China Association of Pharmaceutical Commerce (中國醫藥商業協會), and a member of Chinese Preventive Medicine Association (中華預防醫學會). Mr. Wen graduated from West China University of Medical Science majoring in pharmacy, which is now known as West China Medical Center of Sichuan University, and obtained a master's degree in business administration from Donghua University.

Mr. Chen Qiyu (陳啟宇), aged 51, was appointed as a non-executive Director of the Company in October 2020. Mr. Chen was the Company's secretary to the Board, general manager, vice chairman, executive Director and chairman from April 1994 to October 2020. Mr. Chen is currently the chairman of Fosun High Tech, an executive director and a co-chief executive officer of Fosun International (stock code: 00656), a non-executive director and vice chairman of Sinopharm (stock code: 01099) and a non-executive director of Shanghai Henlius (stock code: 02696), all of which are companies listed on the Hong Kong Stock Exchange, and a non-executive director of Gland Pharma (stock code: GLAND), a company listed on the BSE and the NSE. Mr. Chen was a non-executive director of Babytree Group, a company listed on the Hong Kong Stock Exchange (stock code: 01761), a co-chairman of the board of New Frontier Health Corporation (former stock code: NFH), which was delisted from the New York Stock Exchange in January 2022 and merged into Unicorn II Holdings Limited, and a director of Beijing Sanyuan Foods Co., Ltd.* (北京三元食品股份有限公司) (stock code: 600429), a company listed on the Shanghai Stock Exchange. Mr. Chen is the chairman of China Medical Pharmaceutical Material Association (中國醫藥物資協會), vice president of China Pharmaceutical Industry Research and Development Association (中國醫藥創新促進會), honorary chairman and chief supervisor of the Shanghai Biopharmaceutical Industry Association (上海市生物醫藥行業協會), a member of the 14th Standing Committee of the Chinese People's Political Consultative Conference of Shanghai Municipality, and a part-time vice chairman of Shanghai Federation of Industry and Commerce (General Chamber of Commerce) (上海市工商業聯合會(總商會)). Mr. Chen obtained a bachelor's degree of science in genetics from Fudan University and EMBA from China Europe International Business School.

Mr. Yao Fang (姚方), aged 54, was appointed as a non-executive Director of the Company in October 2020. Mr. Yao was the Company's general manager, president and chief executive officer, executive Director, vice chairman and co-chairman from April 2010 to October 2020. Mr. Yao is currently an executive president of Fosun International (stock code: 00656), a company listed on the Hong Kong Stock Exchange, and a non-executive director of Gland Pharma (stock code: GLAND), a company listed on the BSE and the NSE. From May 2021 to February 2024, Mr. Yao was a vice chairman of Beijing Sanyuan Foods Co., Ltd.* (北京三元食品股份有限公司) (stock code: 600429), a company listed on the Shanghai Stock Exchange. Prior to joining the Group, from 1993 to 2009, Mr. Yao was successively the assistant general manager of the international business department of Shanghai Wanguo Securities Company Limited* (上海萬國證券有限公司), now known as Shenwan Hongyuan Group Co., Ltd.* (申萬宏源集團股份有限公司), general manager of Shanghai Industrial Assets Management Company Limited* (上海上實資產經營有限公司), general manager of Shanghai Industrial Management (Shanghai) Company Limited* (上實管理(上海)有限公司), managing director of Shanghai Industrial Pharmaceutical Investment Company Limited* (上海實業醫藥投資股份有限公司), a company delisted from the Shanghai Stock Exchange in February 2010, chairman of Shanghai Overseas Company* (上海海外公司), non-executive director of Lianhua Supermarket Holdings Co., Ltd.* (聯華超市股份有限公司) (stock code: 00980), a company listed on the Hong Kong Stock Exchange, and executive director of Shanghai Industrial Holdings Limited* (上海實業控股有限公司) (stock code: 00363), a company listed on the Hong Kong Stock Exchange. Mr. Yao obtained a bachelor's degree of economics from Fudan University and a master's degree of business administration from The Chinese University of Hong Kong.

Mr. Xu Xiaoliang (徐曉亮), aged 50, was appointed as a non-executive Director of the Company in June 2019. Mr. Xu is currently a director and general manager of Fosun High Tech, an executive director and co-chief executive officer of Fosun International (stock code: 00656), a company listed on the Hong Kong Stock Exchange, an executive director and chairman of Fosun Tourism (stock code: 01992), a company listed on the Hong Kong Stock Exchange, a director of Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅游商城(集團)股份有限公司) (stock code: 600655), a company listed on the Shanghai Stock Exchange, and a director of Shanghai Foyo Culture & Entertainment Co., Ltd.* (上海復娛文化傳播股份有限公司) (delisted from NEEQ in April 2021). Mr. Xu was a non-executive director and vice chairman of Zhaojin Mining Industry Company Limited* (招金礦業股份有限公司) (stock code: 01818), a company listed on the Hong Kong Stock Exchange, a director of Shanghai Resource Property Consulting Co., Ltd.* (上海策源置業顧問股份有限公司) (delisted from NEEQ in December 2020), and a director of Hainan Mining Co., Ltd.* (海南礦業股份有限公司) (stock code: 601969), a company listed on the Shanghai Stock Exchange. Mr. Xu is currently a deputy of the 16th People's Congress of Shanghai Municipality, and the chairman of the Shanghai International Fashion Federation (上海國際時尚聯合會), Mr. Xu graduated from Innova Education School of Singapore with a diploma, obtained a master's degree in business administration from the East China Normal University and EMBA from Fudan University.

Mr. Pan Donghui (潘東輝), aged 54, was appointed as a non-executive Director of the Company in June 2020. Mr. Pan is currently the executive president and chief human resources officer of Fosun International (stock code: 00656), a company listed on the Hong Kong Stock Exchange, and has severed as an executive director of Fosun International (stock code: 00656), a company listed on the Hong Kong Stock Exchange, since March 2023. Mr. Pan is also currently a non-executive director of Fosun Tourism (stock code: 01992), a company listed on the Hong Kong Stock Exchange, and a director of Shanghai Foyo Culture & Entertainment Co., Ltd.* (上海復娛文化傳播股份有限公司) (delisted from NEEQ in April 2021). Mr. Pan was a non-executive director of Linekong Interactive Group Co., Ltd. (stock code: 08267), a company listed on the Hong Kong Stock Exchange, a director of Shanghai Ganglian E-Commerce Holdings Co., Ltd.* (上海鋼聯電子商務股份有限公司) (stock code: 300226), a company listed on the Shenzhen Stock Exchange, and the chairman of the supervisory committee of Shanghai Ganglian E-Commerce Holdings Co., Ltd.* (上海鋼聯電子商務股份有限公司) from May 2020 to May 2023. Mr. Pan worked at Zhejiang Ningbo Tiandi Group Co., Ltd.* (浙江寧波天地(集團)股份有限公司, now known as Ningbo Tiandi (Group) Co., Ltd.* (寧波天地(集團)股份有限公司)). Mr. Pan obtained a bachelor's degree in engineering from Shanghai Jiaotong University, and a master's degree in business administration from the University of Southern California in the U.S.

Ms. Li Ling (李玲), aged 62, was appointed as the Company's independent non-executive Director in June 2019. As an expert in health economics, Ms. Li is experienced in research in the areas such as medical and health policy, health economics, economics of ageing and economic growth, and has published many research outcomes. Ms. Li is currently an economics professor and a Ph.D. supervisor of National School of Development at Peking University, the director of Research Center of China Healthy Development at Peking University and concurrently serves as an independent non-executive director of JD Health International Inc.* (京東健康股份有限公司) (stock code: 06618), a company listed on the Hong Kong Stock Exchange. Ms. Li served as a lecturer at Wuhan University, an assistant to professor and an associate professor with tenure at the Department of Economics of Towson University, as well as a deputy director, an economics professor and a Ph.D. supervisor at China Center for Economic Research of Peking University. Ms. Li is also a member of the State Council Health Reform Advisory Commission, an advisor to the Beijing Municipal Government, and a vice chairman of the China Association of Gerontology and Geriatrics (中國老年學和老年醫學學會). Ms. Li obtained a bachelor's degree in physics from Wuhan University, and obtained a master's degree and a doctoral degree in economics from University of Pittsburgh in the U.S.

Mr. Tang Guliang (湯谷良), aged 61, was appointed as the Company's independent non-executive Director in June 2019. As an expert in financial accounting, Mr. Tang has extensive experience in management accounting, corporate investment and financing, group management and control, and corporate finance and accounting digital transformation, and has published many research outcomes. Mr. Tang is currently a professor at the Department of Economics of International Business School of University of International Business and Economics, and concurrently served as an independent director of Jointown Pharmaceutical Group Co., Ltd.* (九州通醫藥集團股份有限公司) (stock code: 600998), a company listed on the Shanghai Stock Exchange, an independent director of Chongqing Changan Automobile Company Limited* (重慶長安汽車股份有限公司) (stock code: 000625), a company listed on the Shenzhen Stock Exchange, an independent director of Three Gorges Capital Holdings Co., Ltd.*(三峽資本控股有限責任公司), an independent director of JIC Leasing Co., Ltd.* (中建投租賃股份有限公司). Mr. Tang was an assistant lecturer, lecturer, associate professor and professor at the Accounting Department of Beijing Business School (currently Beijing Technology and Business University), the dean and professor at School of Accounting of Beijing Technology and Business University, and the dean of International Business School of University of International Business and Economics. He also served an independent director of Appotronics Corporation Limited* (深圳光峰科技股份有限公司) (stock code: 688007), a company listed on the STAR Market of the Shanghai Stock Exchange, from July 2018 to December 2023. Mr. Tang is a non-practicing member of The Chinese Institute of Certified Public Accountants. Mr. Tang obtained a bachelor's degree in accounting from Beijing Business School (currently Beijing Technology and Business University), a master's degree in accounting from Beijing Business School, and a doctoral degree in finance from Chinese Academy of Fiscal Sciences under the Ministry of Finance.

Mr. Wang Quandi (王全弟), aged 73, was appointed as the Company's independent non-executive Director in June 2021. As a legal expert, Mr. Wang has published major works and papers such as General Principles to Civil Law (民法總論), Law of Obligations (債法) and Property Law (物權法). Mr. Wang is currently an independent director of Shandong Bohui Paper Industrial Co., LTD* (山東博匯紙業股份有限公司) (stock code: 600966), a listed company on the Shanghai Stock Exchange. Mr. Wang taught at Fudan University Law School for more than 30 years, with the professional field of law (civil and commercial law). Mr. Wang was an arbitrator at the Shanghai Arbitration Commission. Mr. Wang obtained a bachelor degree in law from Jilin University.

Mr. Yu Tze Shan Hailson (余梓山), aged 67, was appointed as the Company's independent non-executive Director in June 2021. As an expert in the authorization and transformation of scientific and technological achievements, Mr. Yu has extensive experience in biopharmaceuticals, Chinese medicine, patent and authorization, venture capital investment, systems engineering and computer engineering. Mr. Yu is currently an independent non-executive director of China Traditional Chinese Medicine Holdings Co., Ltd.* (中國中藥控股有限公司) (stock code: 00570) and an independent non-executive director of China NT Pharma Group Company Limited* (中國泰凌醫藥集團有限公司) (stock code: 01011), both of which are listed on the Hong Kong Stock Exchange, and has been serving as the director of Innovation & Entrepreneurship of Macau University of Science and Technology since February 2023. Mr. Yu was an independent non-executive director of Sinopharm (stock code: 01099), a company listed on the Hong Kong Stock Exchange. Mr. Yu was the deputy managing director of Versitech Limited and deputy director of Technology Transfer Office of the University of Hong Kong from February 1998 to September 2022, and served as the chief operating officer of HKU Innovation Holdings Limited from April 2020 to September 2022. Mr. Yu currently is a Chartered Engineer, fellow of each of the Institution of Engineering and Technology, the Hong Kong Institution of Engineers, the Chartered Institute of Arbitrators and Hong Kong Institute of Arbitrators, and a member of the expert audit committee of Logistics and Supply Chain MultiTech R&D Centre. Mr. Yu obtained a bachelor's degree in Electrical Engineering from the University of Calgary, a master's degree in Engineering from the University of Hong Kong, and a master's degree in Arbitration and Dispute Resolution from City University of Hong Kong.

SUPERVISORS

Ms. Ren Qian (任倩), aged 54, has been serving as the chairman (an employee Supervisor) of the Supervisory Committee of the Company since January 2018. Ms. Ren joined the Group in May 2011, and served as the deputy general manager and general manager of audit department of the Company from May 2011 to January 2018. Prior to joining the Group, Ms. Ren served as an auditor of the audit department of Shanghai No.1 Department Store Company Limited* (上海市第一百貨股份有限公司) (whereafter merged with Shanghai Bailian Group Company Limited* (上海百聯集團股份有限公司) (stock code: 600827), a company listed on the Shanghai Stock Exchange) and the manager of financial department of a subsidiary thereof, the chief officer of the second division of audit department of China Worldbest Group Company Limited* (中國華源集團有限公司), the assistant to director of Shanghai Zhongzhou Certified Public Accountants Company Limited* (上海中洲會計師事務所有限公司), and the deputy general manager of audit department of Shanghai China Fortune Company Limited* (上海華鑫股份有限公司) (stock code: 600621), a company listed on the Shanghai Stock Exchange. Ms. Ren obtained a bachelor's degree in economics from Shanghai University of Finance and Economics, and a master's degree in accounting from The Chinese University of Hong Kong.

Mr. Guan Yimin (管一民), aged 73, was appointed as the Company's Supervisor on 30 June 2014. Mr. Guan is currently an independent director of Yihai Kerry Arawana Holdings Co., Ltd.* (益海嘉里金龍魚糧油食品股份有限公司) (stock code: 300999), a company listed on the Shenzhen Stock Exchange, an independent director of Shanghai Huayi (Group) Company* (上海華誼集團股份有限公司) (stock code: 600623), a company listed on the Shanghai Stock Exchange, and an independent director of China Fortune Securities Co., Ltd.* (華鑫證券有限責任公司). He has been an independent director of Greenland Holdings Group Co., Ltd.* (綠地控股集團有限公司) (stock code: 600606), a company listed on the Shanghai Stock Exchange, an independent director of Jiangsu Nonghua Intelligent Agriculture Technology Co., Ltd.* (江蘇農華智慧農業科技股份有限公司) (stock code: 000816), a company listed on the Shenzhen Stock Exchange, and an independent director of Shanghai Jinjiang Shipping (Group) Co., Ltd.* (上海錦江航運(集團)股份有限公司) (stock code: 601083), a company listed on the Shanghai Stock Exchange in December 2023. Mr. Guan had been an independent Director and independent non-executive Director of the Company from May 2007 to June 2013. Mr. Guan was the vice president and professor of Shanghai National Accounting Institute, and concurrently served as an independent director of Bringspring Science and Technology Co., Ltd.* (榮科科技股份有限公司) (stock code: 300290), a company listed on the Shenzhen Stock Exchange, and an independent director of Hefei Genius Advanced Material Co., Ltd.* (合肥杰事杰新材料股份有限公司) (stock code: 834166), a company listed on the NEEQ. Mr. Guan obtained a bachelor's degree in accounting from Shanghai University of Finance and Economics (SUFE).

Mr. Chen Bing (陳冰), aged 49, was appointed as the Company's Supervisor on 28 June 2023. Mr. Chen is currently the vice president, the co-chief risk officer and the general manager of the audit department of Fosun International (stock code: 00656), a company listed on the Hong Kong Stock Exchange, and a non-executive director of BabyTree Group (stock code: 01761), a company listed on the Hong Kong Stock Exchange. He has been serving as a director of Zhejiang Wansheng Co., Ltd.* (浙江萬盛股份有限公司) (stock code: 603010), a company listed on the Shanghai Stock Exchange, since November 2023. Mr. Chen served at KPMG. He served as a senior audit manager and partner of MAZARS Shanghai Certified Public Accountants LLP* (上海瑪澤會計師事務所(普通合夥)). He served various positions including the joint general manager of the audit department, assistant to the president and senior assistant to the president of Fosun International (stock code: 00656), a company listed on the Hong Kong Stock Exchange, from July 2017 to December 2021. Mr. Chen is currently a non-practicing member of the Chinese Institute of Certified Public Accountants and a member of Shanghai Institute of Certified Public Accountants. Mr. Chen obtained a bachelor's degree in economics from Fudan University.

SENIOR MANAGEMENT

Mr. Wen Deyong (文德鏞), is the Company's executive Director and chief executive officer. His biographical details are set out on page 124 of this annual report.

Mr. Li Shengli (李勝利), aged 50, is currently the Company's executive president (appointed in January 2022) and chief growth officer. Mr. Li joined the Group in April 2004, and served as the assistant to the president and other positions. He was the Company's vice president and senior vice president from January 2020 to January 2022. Prior to joining the Group, Mr. Li worked at Xuzhou Nhwa Pharmaceutical Group Co., Ltd.* (徐州恩華藥業集團有限責任公司). Mr. Li graduated from Anhui University of Chinese Medicine with a major in traditional Chinese medicine, and obtained a master's degree in business administration from Shanghai Jiao Tong University.

Mr. Xingli Wang, aged 61, is currently the Company's executive president (appointed in January 2023), the chief executive officer of the global R&D center and co-chief executive officer of innovative medicine division. Mr. Wang joined the Group in January 2023, and has served as a non-executive director of Shanghai Henlius (stock code: 02696), a company listed on the Hong Kong Stock Exchange, since August 2023. Prior to joining the Group, Mr. Wang served as a senior lecturer in cardiovascular medicine at The University of New South Wales, Australia, and as a cardiologist and professor with tenure at Baylor College of Medicine, USA, medical director of Schering-Plough Corporation, a company formerly listed on the NYSE (stock code: SGP) (merged into Merck & Co., Inc. in 2009). He also worked in Novartis AG (stock code: NVS), a company listed on the NYSE, mainly serving as project supervisor, global project clinical head, head of Novartis global drug R&D (China) and general manager of Biomedical Research Institute (China). Mr. Wang obtained a bachelor's degree in medicine from Shandong Medical College (incorporated into Shandong University in 2000) and a doctorate degree in cardiovascular science from the UNSW. Mr. Wang also holds a license to practice medicine in Australia.

Mr. Wenjie Zhang, aged 56, is currently the Company's executive president (appointed in July 2023) and co-CEO of innovative medicines division. Mr. Zhang joined the Group in March 2019. He was a senior vice president, chief commercial operations officer, chief strategic officer, president and chief executive officer of Shanghai Henlius (stock code: 02696), a company listed on the Hong Kong Stock Exchange, from March 2019 to July 2023. He is currently an executive director and the chairman of the board of directors of Shanghai Henlius. Prior to joining the Group, Mr. Zhang served as the assistant engineer of research and development of Jinan Corbère Bioengineering Co., Ltd.* (濟南科貝爾生物工程有限公司), the China sales representative of Sino-American Shanghai Squibb Pharmaceuticals Co., Ltd.* (中美上海施貴寶製藥有限公司). He worked at Bayer Group (stock code: BAYGn), a company listed on Frankfurt Stock Exchange, and served as the product manager of US Marketing Division at Bayer Pharmaceutical's US subsidiary, business development manager and deputy director of global marketing, head of business development at Bayer Healthcare's Asia Pacific headquarters, the head of Oncology and Specialty Medicine Business at Bayer Schering Pharma China, and the head of Oncology and Specialty Medicine Business in Asia Pacific, vice president of Tumor Business Department II of Shanghai Roche Pharmaceutical Co., Ltd.* (上海羅氏製藥有限公司). He also worked at Amgen Inc. (stock code: AMGN) ("Amgen"), a company listed on the NASDAQ, and served as the executive director of Japan and Asia Pacific of Amgen and the general manager of Amgen Biopharmaceutical (Shanghai) Co., Ltd.* (安進生物醫藥(上海)有限公司). Mr. Zhang obtained a bachelor's degree in science from Shandong University and a master's degree in business administration from Yale University.

Ms. Feng Rongli (馮蓉麗), aged 48, is currently the Company's executive president (appointed in January 2024) and chief human resources officer. Ms. Feng joined the Group in April 2020. She was a vice president and senior vice president of the Company from April 2020 to January 2024. Ms. Feng is currently a non-executive director of Sisram Medical (stock code: 01696), the chairman of the supervisory committee of Shanghai Henlius (stock code: 02696), and a non-executive director of Sinopharm (stock code: 01099), all of which are companies listed on the Hong Kong Stock Exchange. Prior to joining the Group, Ms. Feng served as a human resources supervisor of Sealed Air Packaging (Shanghai) Co., Ltd.* (希悅爾包裝(上海)有限公司), a human resources manager of Grundfos Pumps (Shanghai) Co., Ltd.* (格蘭富水泵(上海)有限公司), the Asia-Pacific human resources manager of Emerson Electric (China) Holdings Co., Ltd.* (艾默生電氣(中國)投資有限公司), the China human resources planning manager of Dow Chemical (China) Co., Ltd.* (陶氏化學(中國)有限公司), the director of human resources of Shanghai Roche Pharmaceutical Co., Ltd.* (上海羅氏製藥有限公司), the senior director of human resources at F. Hoffmann-La Roche AG, the deputy chief human resources officer of Fosun High Tech and the managing director of the human resources of Shanghai Fosun Venture Capital Investment Management Co., Ltd.* (上海復星創業投資管理有限公司). Ms. Feng graduated from Shanghai University with a major in computer application, and obtained a master's degree in business administration from Columbia Southern University.

Ms. Li Jing (李靜), aged 51, is currently the Company's executive president (appointed in January 2024) and chief executive officer of established medicines manufacturing and supply division. Ms. Li joined the Group in May 2022. She was the senior vice president of the Company from August 2022 to January 2024. Prior to joining the Group, Ms. Li held the positions including engineer, office director and deputy president of Tianjin Pharmaceutical Company Research Institute* (天津藥業公司研究所) (the predecessor of Tianjin Pharmaceutical Research Institute Co., Ltd.* (天津藥業研究院股份有限公司)), assistant to general manager and chief engineer of Tianjin Pharmaceutical Group Co., Ltd.* (天津藥業集團有限公司), general manager and president of Tianjin Pharmaceutical Research Institute Co., Ltd.* (天津藥業研究院股份有限公司), chairman of Tianjin Jinyao Amino Acids Co., Ltd.* (天津金耀氨基酸有限公司). She also served as deputy secretary of the Party Committee, general manager, chairman of the board, secretary of the Party Committee and director of Tianjin Pharmaceutical Group Co., Ltd.* (天津藥業集團有限公司), chairman of Tianjin Pharmaceutical Research Institute Co., Ltd.* (天津藥業研究院股份有限公司), chief engineer of Tianjin Pharmaceutical Holdings Ltd.* (天津市醫藥集團有限公司), chairman of Tianjin Pharmaceutical Group Research Institute Co., Ltd.* (天津醫藥集團研究院有限公司), now known as Jinyao Biotechnology (Tianjin) Co., Ltd.* (津藥生物科技(天津)有限公司), and chairman and secretary of the Party Committee of Tianjin Tianyao Pharmaceutical Co., Ltd.* (天津天藥藥業股份有限公司) (stock code: 600488), a company listed on the Shanghai Stock Exchange. Ms. Li obtained a bachelor's degree in medicine from Tianjin College of Traditional Chinese Medicine (now known as Tianjin University of Traditional Chinese Medicine) and a master's degree in business administration from Tianjin University.

Mr. Wang Donghua (王冬華), aged 54, is currently a senior vice president (appointed in October 2020) and chief strategic enabler of the Company. Mr. Wang joined the Group in October 2015. He was a vice president of the Company from January 2016 to October 2020. Prior to joining the Group, Mr. Wang was the deputy manager and manager of the corporate culture department, deputy general manager of the investment development department, deputy general manager and spokesman of the brand development department, and deputy general manager, executive general manager and joint general manager of the public affairs department of Fosun High Tech. Mr. Wang obtained a bachelor's degree in agriculture from Yangzhou University and a master's degree in business administration from Shanghai University of Finance and Economics.

Mr. Li Dongjiu (李東久), aged 58, is currently the senior vice president of the Company (appointed in March 2021) and the director of pharmaceutical commerce administration committee. Mr. Li was the vice president and senior vice president of the Company from December 2009 to January 2018, and re-joined the Group in March 2021. Mr. Li is a non-executive director of Sinopharm (stock code: 01099), a company listed on the Hong Kong Stock Exchange. Prior to initially joining the Group, Mr. Li served as the deputy general manager and chief financial officer of North China Pharmaceutical Co., Ltd.* (華北製藥股份有限公司) (stock code: 600812), a company listed on the Shanghai Stock Exchange. Mr. Li was a director of China National Pharmaceutical Group Co., Ltd.* (國藥集團藥業股份有限公司) (stock code: 600511), a company listed on the Shanghai Stock Exchange, the vice president and general counsel of Sinopharm (stock code: 01099), a company listed on the Hong Kong Stock Exchange, and a director of Sinopharm Group Accord Pharmaceutical Co., Ltd.* (國藥集團一致藥業股份有限公司) (stock code: 000028), a company listed on the Shenzhen Stock Exchange. Mr. Li obtained a bachelor's degree in chemical engineering from Dalian Institute of Technology (now known as Dalian University of Technology), a master's degree in management science and engineering from Wuhan Jiaotong University of Science and Technology, a master's degree in international economic and trade relations from Flinders University, Australia, a Ph.D. degree in transportation planning and management from Wuhan University of Technology and an EMBA degree from China Europe International Business School.

Mr. Liu Yi (劉毅), aged 48, is currently a senior vice president of the Company (appointed in January 2022) and the chairman and chief executive officer of the medical devices division. Mr. Liu joined the Group in November 2015. He was the vice president of the Company from January 2017 to January 2022. Mr. Liu is currently the executive director and chairman of the board of directors of Sisram Medical (stock code: 01696), a company listed on the Hong Kong Stock Exchange. Prior to joining the Group, Mr. Liu worked at the State Food and Drug Administration (now known as the National Medical Products Administration) and Beijing Medical Equipment Laboratory (北京市醫療器械檢驗所). Mr. Liu obtained a bachelor's degree in engineering from Beijing Institute of Technology, a master's degree in management from Peking University and a doctorate degree in biomedical engineering from Beihang University.

Mr. Hu Hang (胡航), aged 40, is currently the Company's senior vice president (appointed in January 2022). Mr. Hu joined the Group in September 2010, and was the assistant to the president and vice president of Fosun Health, a subsidiary, and was a vice president of the Company from January 2020 to January 2022. He is currently the chief executive officer of Fosun Health. Prior to joining the Group, Mr. Hu served as an auditor at PricewaterhouseCoopers Zhong Tian LLP* (普華永道中天會計師事務所(特殊普通合夥)), a senior auditor at Ernst & Young Hua Ming LLP* (安永華明會計師事務所(特殊普通合夥)), and a senior adviser on risk control at PricewaterhouseCoopers Management Consulting (Shanghai) Limited* (普華永道管理諮詢(上海)有限公司). Mr. Hu obtained a bachelor's degree in economics from Fudan University and a master's degree in business administration from Shanghai Jiao Tong University.

Mr. Bao Qingui (包勤貴), aged 39, is currently the Company's senior vice president (appointed in January 2022) and the chairman of the medical diagnosis division. Mr. Bao joined the Group in July 2010. He was the assistant to the president, vice president and executive president of Fosun Health, a subsidiary, and also a vice president of the Company from January 2020 to January 2022. Mr. Bao obtained a bachelor's degree in engineering from Hefei University of Technology and a master's degree of science from Fudan University.

Mr. Rong Yang, aged 45, is currently the Company's senior vice president (appointed in August 2022). He joined the Group in January 2022, and is currently the chief executive officer of Fosun Pharma USA Inc., a subsidiary. Mr. Yang is currently a director of Nature's Sunshine Products, Inc. (stock code: NATR), a company listed on the NASDAQ. Prior to joining the Group, Mr. Yang previously worked for the Bayer Group, mainly as the global market development manager of Bayer Schering Pharma AG, marketing director of Bayer Austria Ges.m.b.H, assistant to chairman of Bayer Pharma AG, general manager of Bayer S.R.O, vice president of Bayer US LLC, and he was in charge of the finance and strategy department (Americas), business insight and data analysis department, blood marketing department, and specialty drug sales department. Mr. Yang obtained a bachelor's degree of art in German from Beijing Foreign Studies University, a master's degree in economics from Nankai University and a MBA degree from Harvard Business School.

Ms. Dong Xiaoxian (董曉嫻), aged 42, is currently the Company's vice president (appointed in June 2016), the secretary to the Board, and a joint company secretary. Ms. Dong joined the Group in July 2003, and served several positions including the securities affairs representative and deputy director of the Board Secretary Office of the Company. Ms. Dong obtained a bachelor's degree in laws from Shanghai University and a master's degree in business administration from Fudan University.

Ms. Su Li (蘇莉), aged 52, is currently the Company's vice president (appointed in January 2022) and the chief executive officer of the established medicines and manufacturing & supply division. Ms. Su joined the Group in June 2006, and served several positions including the chief executive officer of Tridem Pharma, a subsidiary, a vice president and the emerging market general manager of the overseas business department of Fosun Pharmaceutical Industrial, and the assistant to the president of the Company. Prior to joining the Group, Ms. Su served as a clerk in the office of the president of Kunming Pharmaceutical Limited* (昆明製藥股份有限公司) and the deputy manager and manager of imports and exports department and manager of international trade department of Kunyao Group Co., Ltd.* (昆明製藥集團股份有限公司). Ms. Su obtained a bachelor's degree in arts from Yunnan University.

Mr. Ji Hao (紀皓), aged 49, is currently the Company's vice president (appointed in January 2022) and the general manager of anti-corruption supervision department. Mr. Ji joined the Group in June 2016, and served several positions including the assistant to the president of the Company. Prior to joining the Group, Mr. Ji served as an assistant researcher at the Chinese People's Liberation Army Academy of Military Sciences, and worked at the First Branch of the Shanghai People's Procuratorate. Mr. Ji obtained a bachelor's degree of laws from the People's Liberation Army Nanjing University of International Relations (now known as National University of Defense Technology University of International Relations), a master's degree of laws from the East China University of Political Science and Law and a master's degree of laws from The Chinese University of Hong Kong.

Ms. Zhu Yue (朱悅), aged 46, is currently the Company's vice president (appointed in January 2022) and the general manager of legal department. Ms. Zhu joined the Group in October 2020, and served several positions including the assistant to the president of the Company. Prior to joining the Group, Ms. Zhu served as an attorney and a senior attorney at Morgan, Lewis & Bockius LLP in the U.S., a senior attorney of Milbank LLP in the U.S., a senior attorney and the consultant lawyer of Clifford Chance LLP in the United Kingdom, and the managing director of the legal department of Fosun International (stock code: 00656), a company listed on the Hong Kong Stock Exchange. Ms. Zhu obtained a bachelor's degree in science from University of Science and Technology of China, a master's degree in biology from the University of Iowa in the U.S. and a doctorate in law from the University of Maryland in the U.S.. She was also admitted as an attorney of the State of California in the U.S..

Mr. Xu Aihua (徐愛華), aged 47, is currently the Company's vice president (appointed in January 2023). Mr. Xu joined the Group in July 2022. He was the assistant to the chief executive officer of the Company from July 2022 to January 2023. Prior to joining the Group, Mr. Xu was a principal staff member and the deputy director of the Shanghai Municipal Development and Reform Commission, a member of the Party Committee and the deputy mayor of Jinqiao Township in Pudong New Area, Shanghai, the deputy director, the director and an assistant to spokesperson of Policy and Regulation Division of Shanghai Municipal Development and Reform Commission, the president of Shanghai Zhongcan Network Technology Co., Ltd.* (上海中產網絡科技有限公司), and the executive president of Shanghai Hengshi Investment Group Co., Ltd.* (上海恒實投資集團有限公司). Mr. Xu obtained a bachelor's degree in management from Hubei University and a master's degree in political science from East China Normal University.

Ms. Lv Lilang (呂力琅), aged 46, is currently the vice president (appointed in July 2023) and co-chief executive officer of the medical devices division of the Company. Ms. Lv joined the Group in June 2023. Prior to joining the Group, Ms. Lv worked at Fudan University Cancer Hospital, mainly as an office clerk, deputy director and director of the hospital office, assistant to the president and deputy president, as well as deputy president of the Shanghai Proton and Reionisation Hospital. She was the general manager of Shanghai Zhijiang Bio-Technology Company Limited* (上海之江生物科技股份有限公司) (stock code: 688317), a company listed on the Shanghai Stock Exchange, from February 2021 to May 2023. Ms. Lv obtained a bachelor's degree in medicine from Peking University, a master's degree in management from Fudan University and a doctorate degree in engineering from Fudan University. Ms. Lv has also attended hospital management and reform programs at the University of Cambridge in the United Kingdom, Harvard Medical School in the U.S. and the Université de Paris Politique in France.

Mr. Cao Genxing (曹根興) (resigned) served as a Supervisor of the Company from May 2008 to June 2023.

Mr. Chen Yuqing (陳玉卿) (resigned) held the positions including vice president, senior vice president, co-president and co-chief executive officer of the Company from April 2015 to June 2023.

Ms. Mei Jingping (梅璟萍) (resigned) held the positions including vice president, senior vice president and executive president of the Company from June 2016 to December 2023.

Mr. Yuan Ning (袁寧) (resigned) served as the vice president of the Company from January 2022 to January 2024.

Mr. Zhang Yuejian (張躍建) (resigned) served as the vice president of the Company from June 2019 to January 2024.

JOINT COMPANY SECRETARIES

Ms. Dong Xiaoxian (董曉嫻), aged 42, is a joint company secretary and concurrently serves as a vice president of the Company and secretary to the Board. Please refer to page 132 of this annual report for her biography.

Ms. Kam Mei Ha, Wendy (甘美霞), aged 56, is a joint company secretary. Ms. Kam is currently an executive director of the corporate services division of Tricor Services Limited. Prior to joining Tricor Services Limited, Ms. Kam served as a manager of the company secretarial department of Ernst & Young, Hong Kong and Tricor Tengis Limited. Ms. Kam has over 25 years of experience in the corporate secretarial field and is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Chartered Governance Institute (formerly "The Hong Kong Institute of Chartered Secretaries") and The Chartered Governance Institute (formerly "The Institute of Chartered Secretaries and Administrators") in the United Kingdom. Ms. Kam was appointed as a member of the Standing Committee on Company Law Reform in February 2024. Ms. Kam graduated from City Polytechnic of Hong Kong (now known as City University of Hong Kong) with a professional diploma in company secretaryship and administration in November 1990.

About This Report

With the increasing awareness of the international and domestic society on corporate sustainable development, the capital market and the public's perception on ESG and social responsibility is gradually becoming universal. To comprehensively respond to capital market and the public's concerns on corporate sustainable development, and to enhance the readability of the report and the consistency of the information, we hereby disclose this ESG and Sustainability Report following the release of our corporate social responsibility reports for 15 consecutive years and ESG reports for 3 consecutive years.

Basis of Preparation

This report is prepared in accordance with the disclosure requirements of Global Reporting Initiative (GRI) Sustainability Reporting Standards and the ESG Reporting Guide as set out in Appendix C2 to the Hong Kong Listing Rules. In response to the concerns of investors with the ESG performance of the Group, this report also refers to and responds to the issues concerned by Morgan Stanley Capital International ESG rating (i.e. MSCI ESG rating). This report also covers all matters related to corporate social responsibilities ("**CSR**") to acquaint shareholders with more detailed information related to the social responsibility and sustainable development of the Group.

The financial data covered in this report have been prepared in accordance with Hong Kong Financial Reporting Standards.

Scope and Boundary of Report

The scope of disclosure of this report is consistent with that of financial information in the Group's 2023 Annual Report.

This report covers the time period from 1 January 2023 to 31 December 2023 (the "**Reporting Period**"), certain contents of which trace retrospectively to prior years and cover the first quarter of 2024.

Data Source and Reliability Assurance

The data and cases contained herein are mainly from the Group. The Company commits that there are not any false records or misleading statements in this report, and is liable for the authenticity, accuracy and integrity of the contents herein. The Company uses consistent statistical methods for the key performance indicators disclosed in the report, and explanations will be complemented for the corrected data to facilitate effective comparison.

Approval

This report was adopted by the Board of Directors on 26 March 2024.

Access to and Feedback of this Report

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

Readers are welcome to contact us by the following ways. Your opinions will help us further improve this report and enhance the overall sustainable development of the Group.

Contact Information

Email: esg@fosunpharma.com
Address: Building A, No. 1289 Yishan Road, Shanghai

Company Profile & Development Strategy

Company Profile

Founded in 1994, Fosun Pharma (stock code: 600196.SH, 02196.HK) is a global innovation-driven pharmaceutical and healthcare industry group. Fosun Pharma directly operates businesses including pharmaceutical manufacturing, medical devices, medical diagnosis, and healthcare services. As a shareholder of Sinopharm, Fosun Pharma expands its areas in the pharmaceutical commerce.

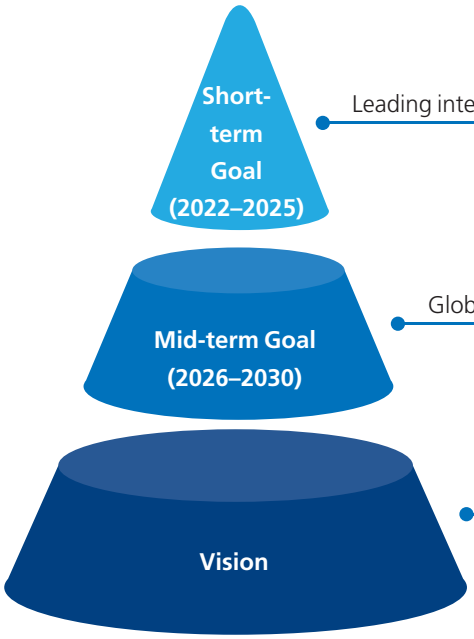
The Group is patient-centered and clinical needs-oriented, and continuously enriches its innovative product pipeline through independent research and development, license-in, and in-depth incubation. Fosun Pharma improves the research and clinical development capabilities of FIC (First-in-class) and BIC (Best-in-class) products as well as accelerates the R&D and launch of innovative technologies and products.

Guided by the 4IN strategy (Innovation, Internationalization, Intelligentization and Integration), Fosun Pharma will uphold the development model of "Innovation Transformation, Integrated Operation and Steady Growth", with the mission of creating shareholder values through strengthening its independent R&D and external cooperation and enriching its product pipelines, as well as promoting the global networks. Fosun Pharma will actively promote key business and rapidly enhance operational and asset efficiency, and is committed to becoming a first-class enterprise in the global major pharmaceutical and healthcare market.

Please visit the official website of the Fosun Pharma for more details of the Group: http://www.fosunpharma.com.

Company Profile & Development Strategy

Corporate Strategy



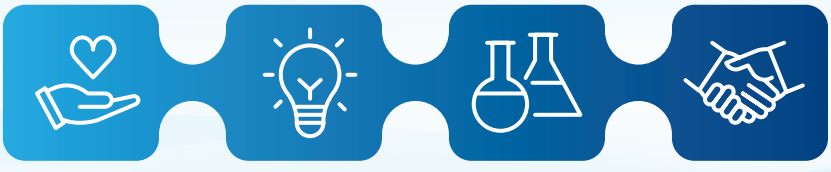
Mission

Better Health for Families Worldwide

Vision

We are committed to becoming a first-class enterprise in the global pharmaceutical and healthcare markets

Values



2023 Milestones

March

- Marketing authorization application (MAA) for Han Si Zhuang (generic name: serplulimab injection), a self-developed biopharmaceutical innovative anti-PD-1 monoclonal antibody drug, in combination with chemotherapy for first-line treatment of extensive-stage small cell lung cancer (ES-SCLC), has been approved by the European Medicine Agency
- Comirnaty Bivalent mRNA Vaccine self-payment vaccination Service officially launched in Macau

July

- New generation of Pei Jin® (telpegfilgrastim injection), a long-acting white blood cell booster drug, was approved for launch in Chinese mainland, providing a more efficient and cost-effective option for patients with neutropenia related to radiotherapy and oncology
- FCN-159 tablets, a new anti-tumor drug for treatment of adult patients with NF1 (neurofibromatosis type I) related plexiform neurofibroma that are inoperable or residual/recurrent, were included in the breakthrough drug therapy category by the Center for Drug Evaluation of NMPA

January

- Comirnaty Bivalent mRNA Vaccine self-payment vaccination service launched in Hong Kong and was officially approved as regular imported vaccines by Macau Pharmaceutical Administration Bureau
- Carried out the "A Healthy Winter Action" in cooperation with Fosun Foundation and donated azvudine, an antiviral drug, amounted to RMB100 million to rural areas in the central and western regions to ensure the accessibility of medicines to the elderly in rural areas
- A new indication of Han Si Zhuang (generic name: serplulimab injection), a self-developed biopharmaceutical innovative anti-PD-1 monoclonal antibody drug for first-line treatment of ES-SCLC, was approved in Chinese mainland (excluding Hong Kong, Macau and Taiwan region), becoming the first anti-PD-1 monoclonal antibody drug approved for the first-line treatment of ES-SCLC in the world
- A range of innovative drugs and new indications of the Group were included in the National Medical Insurance Drug Catalogue, further improving the accessibility and affordability of innovative drugs, and became effective since March 2023 (Akynzeo, Han Li Kang, Su Ke Xin, Otezla, etc.)

April

- The NDA of RT002, an innovative botulinum toxin product, was approved by NMPA
- FCN-159 tablets, a new anti-tumor drug, were recognized as a breakthrough drug therapy by the Center for Drug Evaluation of NMPA. The drug was intended for treatment of histiocytic tumors

June

- Domestically-manufactured Da Vinci Surgical Robot of Intuitive Fosun, which can be applied in endoscopic surgeries in urology, general surgery, obstetrics and gynecology, thoracic surgery etc., was approved by NMPA
- The new second-line indication of Yi Kai Da® (generic name: ejilunsai injection), a CAR-T cell therapy product of Fosun Kite for treatment of adults patients with large B-cell lymphoma (r/r LBCL) refractory to first-line immunochemotherapy or relapsing within 12 months of first-line immunochemotherapy, was approved in Chinese mainland
- The second generation of the self-developed artesunate for injection (trade name: Argesun®) was approved by WHO Prequalification, and became the first single-solvent artesunate injection approved by WHO Prequalification

October

- The first domestically-manufactured Da Vinci Surgical Robot was manufactured and officially commenced domestic production, continuously enhancing its accessibility

September

- Launched the program of "Caring for Women's Health — Pink Blue Ribbon Charity Tour" in Xishuangbanna, Yunnan in cooperation with Shanghai Soong Ching Ling Foundation, which helped to expand the screening coverage for two leading cancers among local women and improved medical care at the grassroots level

Company Awards

- 2023 Most Admired Chinese Companies (Fortune Magazine) (2023最受讚賞的中國公司(《財富》雜誌))
- 2023 Emerging Awarded Enterprise of China's Excellence Management Company (Deloitte China) (2023中國卓越管理公司新晉獲獎企業(德勤中國))
- 2023 Top 25 Global Pharmaceutical Companies in R&D Pipeline Size (2023年全球醫藥企業研發管線規模TOP25) (Informa Pharma Intelligence)
- 2023 Rank 1 in China's Biopharmaceutical R&D Strength (Biopharmaceutical Ranking) (2023中國生物藥研發實力排行榜(生物藥榜)第一名)
- 2023 Rank 2 in China's Comprehensive Drug R&D Strength (Overall Ranking) (2023中國藥品研發綜合實力排行榜(總榜)第二名)
- 2023 MSCI ESG A Rating
- 2023 Top 30 ESG Excellence Practices (CCTV, State-owned Assets Supervision and Administration Commission of the State Council, All-China Federation of Industry and Commerce, Chinese Academy of Social Sciences, etc.) (2023 ESG卓越實踐30強(中央廣播電視總台、國務院國資委、全國工商聯、中國社科院等))
- 2023 Outstanding Responsible Company (Southern Weekly) (2023年度傑出責任企業(《南方週末》))
- 2022 CSR Report 5-Star Excellence (《2022年度企業社會責任報告》五星級卓越)

August

- Yi Xin Tan® (generic name: sacubitril valsartan sodium tablets), a first-line drug with independent intellectual property rights for the treatment of heart failure and hypertension in an innovative crystalline form, was approved for launch in Chinese mainland, which would benefit more Chinese patients with heart failure and hypertension.

December

- Three domestically-manufactured new drugs (Bei Wen®, Pei Jin®, Yi Xin Tan®) were included in the National Medical Insurance Drug Catalogue, which further enhanced the accessibility of drugs for relevant diseases in Chinese mainland and practically reduced the burdens of drugs on patients
- Officially entered into cooperation agreements with Insightec, pursuant to which both parties will establish a joint venture, Fosun-Insightel Medical Technologies Co., Ltd. (復星醫視特醫療科技有限公司), in Chinese mainland, focusing on the commercialization, clinical application and research of magnetic resonance image guided focused ultrasound brain therapy system (i.e. MRgFUS brain therapy system) in the Chinese market, thus helping patients with Parkinson's disease and idiopathic tremor to regain quality of life
- Serplulimab injection, a self-developed anti-PD-1 monoclonal antibody drug, was approved for treatment of ES-SCLC by the Indonesian Food and Drugs Authority (BPOM). Trade name is Zerpidio®. It was the first time this product was approved for launch in an overseas market, making it the first Chinese PD-1 monoclonal antibody drug approved for launch in Southeast Asia

Content of the Sustainable Development Goals (SDGs) of the United Nations

Supporting the SDGs of the United Nations

SDGs	Key progress as at the end of the Reporting Period
	• Launched 4 rare disease drugs and 10 rare disease drugs were under development • Supplied more than 340 million doses of Artesun® (artesunate injection) to the global market, helping more than 68 million patients with severe malaria to regain their health • In January 2023, a number of our innovative drugs and new indications were included in the 2022 National Health Insurance Drug Catalog (effective in March 2023). In December 2023, three innovative drugs were included in the 2023 National Health Insurance Drug Catalog (effective in January 2024), reaching more patients through various accessible channels • Developed business in developing countries to promote equal and accessible health • Released a fair pricing policy that takes into account factors such as local GDP levels, the United Nations Human Development Index, public healthcare investment, patient needs and affordability when considering drug prices
	• Established scholarships at five universities, including Fudan University, honoring more than 150 distinguish students and teachers • Provided various in-house training and development programs for employees and encouraged them to obtain degrees and take qualification exams
	• Implemented an equal pay policy and provided fair treatment for employees of different nationalities, races, religions, genders and ages • Created a diverse, inclusive and equal work environment for all employees
	• Set sewage discharge targets , i.e. to reduce the intensity discharge of sewage, chemical oxygen demand (COD) and ammonia nitrogen in 2025 by 15% as compared with 2020, of which the annual targets for the emission intensity of sewage and COD for 2023 have been achieved • Set water consumption intensity targets, i.e. to reduce consumption in 2025 by 15% as compared to 2020. The water consumption intensity target for 2023 has been achieved
	• Provided employees with appropriate training systems and clear career paths, as well as diversified and equal opportunities to minimize employee turnover • Launched various recruitment programs and attracted talents through cooperation with universities and subsidiaries • Carried out four series of training programs, namely "New Employee Series", "Leadership Development Series", "Professional Development Series" and "Common Skill Series", which provided employees with a comprehensive platform for improving their capabilities and skills • Issued the "Employee Diversity Policy" and implemented an equal pay policy, which provided fair treatment for different nationalities, races, and religions, and strictly eliminated child labor or any form of forced labor, and respected employees' political rights and freedom of association • Established a human rights policy monitoring mechanism to ensure that the policy is effectively implemented
	• built a technical platform containing biosimilars, small molecule innovative drugs, high-value generic drugs and new technology treatment • striving to improve the quality and standard of primary public health services and promote the development of rural health. Joined hands with Fosun Foundation to establish the Special Fund for Fosun Phama Health Care Initiative, which carried out charitable activities such as the "Rural Revitalization Health Demonstration Project" and the "Hand-in-Hand Rural Medical Talent Revitalization Project" • Established a 24-hour global R&D center to enhance R&D and innovation capabilities

Content of the Sustainable Development Goals (SDGs) of the United Nations

SDGs	Key progress as at the end of the Reporting Period
	• Formulated the EHS management system framework, which includes the requirements of the environmental management system, occupational health and safety management system and national standardization of production safety • Formulated the Supplier Code of Conduct, which is applicable to suppliers, service providers and contractors • Lean supply chain: For example, through system analysis of the end-to-end supply chain process, Suzhou Erye has reduced overall amount of inventory and overall inventory turnover days by improving sales accuracy, reducing the inspection cycle of raw and auxiliary materials, and reducing the inventory amount of Class A finished goods • Completed the Compliance Management System Report of Domestic Marketing Platform 2.0 according to the responsible marking principle to ensure compliance with laws and regulations, continuously improve the customer relationship management system and ensure customers' access to information
	• Identified climate change risks and took targeted measures to reduce, adapt and respond to climate changes • Actively participated in renewable energy projects, procured green power and built photovoltaics • Formulated relevant working systems and established an assessment mechanism based on performance in energy saving and emission reduction: issued the Notice on Energy Saving and Emission Reduction for Subsidiaries of Fosun Pharma to clarify emission reduction targets and incorporated energy management and control into the performance assessment of corporate management personnel at all levels • Analyzed climate change scenarios and identified the climate change exposure of the Group with reference to the TCFD framework, and formulated adaptation and mitigation strategies • Conducted energy saving and emission reduction programs and invested RMB13.4760 million in various energy saving and emission reduction measures throughout the year • Set carbon emission targets, i.e. to reduce carbon emissions per unit income in 2025 by 15% as compared to 2020. The carbon emission target for 2023 has been achieved
	• Established an integrity management system and reporting channels to protect whistleblowers • Provided employees with anti-corruption and business ethics training
	• Invested a substantial amount in innovative R&D of new drugs, built an international synchronous R&D operation system and established a development cooperation model • Continuously increased product sales and exports • Provided drugs to developing countries, provided training in professional knowledge and skills and provided support in enhancing the capabilities of developing countries

1. Responsible Operation

1.1 Corporate Governance

Corporate governance is crucial to the healthy and sustainable development of an enterprise. Establishing a transparent, responsible and effective governance mechanism will help enhance corporate value and earn the trust of investors and stakeholders in the corporate. To this end, Fosun Pharma continuously improves its corporate governance structure and system to provide an effective guarantee for making scientific and efficient decisions on governance in accordance with the Guidelines for Corporate Governance of Listed Companies of the CSRC.

1.1.1 Specialization and Diversity

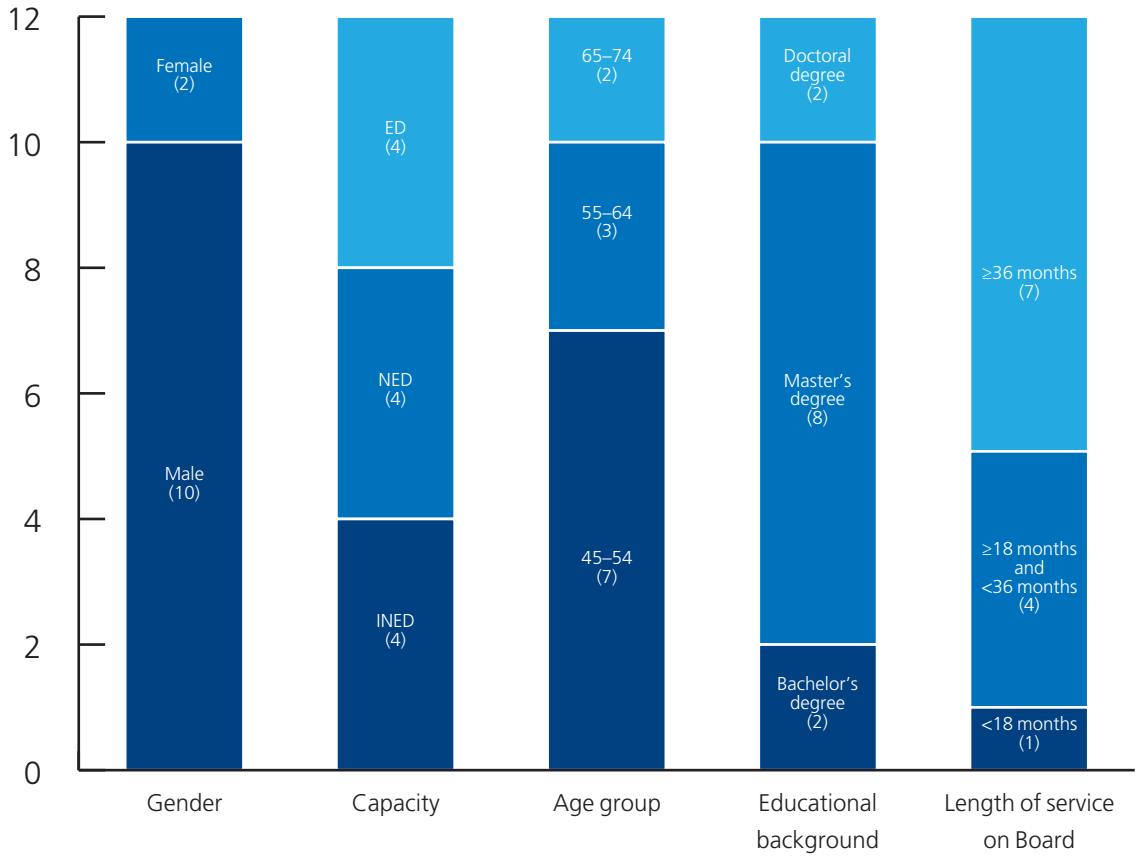
The Group's efficient operations build upon a sound governance structure. The governance structure of the Group is composed of the general meeting, the Board and the management. In particular, the five professional committees, namely the Strategic Committee, the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee, and the Environment, Social and Governance Committee (the "**ESG Committee**"), under the Board are responsible for supervision over matters in different dimensions to ensure the stable, lawful and efficient operations of the company. Under the supervision and guidance of the Board and various committees, the Group maintains high-quality governance and actively safeguards the rights and interests of all stakeholders to enhance corporate value on an ongoing basis.

In compliance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Guidelines for Corporate Governance of Listed Companies of the CSRC and other laws and regulations, and making comprehensive reference to the requirements of various standards and normative documents of the Hong Kong Stock Exchange and the Shanghai Stock Exchange, Fosun Pharma has formulated the Articles of Association, the Rules of Procedure for General Meetings of Shanghai Fosun Pharmaceutical (Group) Co., Ltd., the Rules of Procedure of the Board Meetings of Shanghai Fosun Pharmaceutical (Group) Co., Ltd., the Rules of Procedure of the Supervisory Committee Meetings of Shanghai Fosun Pharmaceutical (Group) Co., Ltd., the terms of reference and implementation rules of each committee, as well as other internal rules and policies, in order to secure and regulate the effective operation of its governance structure.

As the key decision-making body of the group, a diverse Board enables the Group to respond to the ever-changing business environment and safeguard the rights and interests of a wider range of stakeholders. In 2013, Fosun Pharma issued the Board Diversity Policy, which clearly stipulated that, when electing Board members, various dimensions such as gender, age, cultural and educational background, expertise, skills, knowledge and term of service should be taken into account, and discrimination is prohibited to ensure a fair and just election process. In addition, the Nomination Committee under the Board reviews the structure, size and composition of the Board every year, and makes recommendations on any changes to the Board to ensure the effective implementation of the diversity policy.

As at the end of the Reporting Period, the Board of Fosun Pharma comprised 12 Directors (including 2 female Directors) and 4 of which were independent non-executive Directors of the professions including accounting, legal, pharmaceutical industry, and license-in and transfer of scientific and technological outcomes.

An analysis of the Board's diversity as at the end of the Reporting Period is set out as follows:

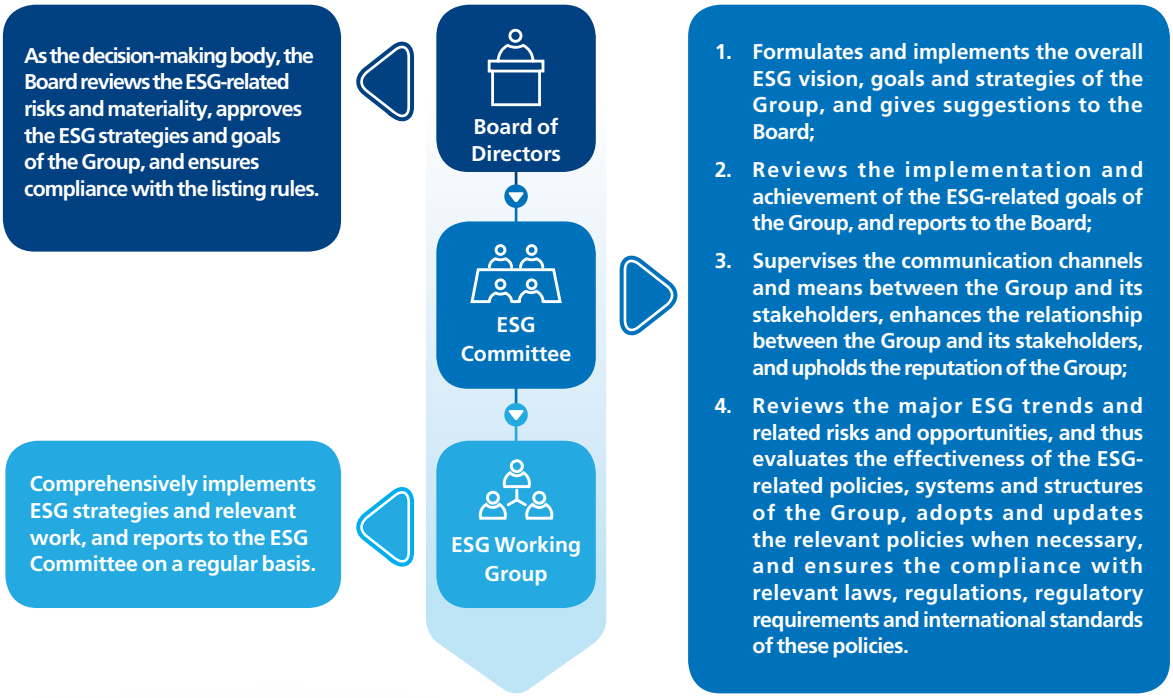


Board's diversity data in terms of gender, capacity, age, educational background and length of service

1. Responsible Operation

1.1.2 ESG Governance

Sustainable development is one of the key elements of the Group's business development. In order to ensure that the Group takes sustainability into consideration when formulating strategies and making decisions, the Group has established a three-tier ESG governance structure which is supervised by the Board, implemented by the ESG Committee, and executed by the ESG Working Group, guaranteeing the supervision, guidance and support from the Board and the management as to the sustainable development of the Group. In addition, we formulated the Terms of Reference and Implementation Rules of the Environmental, Social and Governance Committee under the Board of Directors in 2020 to further specify the job responsibilities of each tier in the ESG governance structure, guide the execution of tasks in pursuit of sustainable development of the Group, and thus improve the overall sustainability performance. At the same time, the Group has incorporated ESG sustainable development indicators into the performance assessment for the senior management. Evaluation dimensions include the rate of achieving carbon neutrality in major operating entities, construction of ESG systems, responsible investment management, and ESG risk management. We conduct assessments on an annual basis, and determine performance based on the assessment results. The results of which will be converted into a coefficient between 0 and 1, and serve as a multiplier factor for the overall performance of the senior management. Failure to meet the ESG performance standards will lead to a reduction in remuneration.



ESG Governance Structure

1. Responsible Operation

Board Statement

Board Responsibilities

Fosun Pharma has established an ESG governance mechanism with the Board as the main body of responsibility, under which the ESG Committee and the ESG Working Group are established. The Board is the highest responsible body for the ESG governance of the Group, and is overall responsible for the sustainability performance of the Group. As delegated by the Board, the ESG Committee is responsible for supervision, guidance and review on sustainable development and ESG matters. In 2023, the ESG Committee held two meetings in total.

Sustainability Risk Management

In order to prevent and control various potential risks that may hinder the sustainable development of the Group, the ESG Committee supervises and guides the management and various functional departments to identify and control relevant risks on a regular basis in day-to-day operations, and makes regular reports and recommendations to the Board on identified risks and management measures. Such processes enable us to fully integrate sustainability risks into our enterprise risk management system as an important category of enterprise risk management. Under the supervision of the Board, the Group continues to improve its internal control and risk management systems to ensure that effective controls have been in place over sustainability risks.

Execution of Tasks in Pursuit of Sustainable Development

The ESG Working Group established by the Group is composed of the management of key functional departments. Under the comprehensive guidance of the ESG Committee, the working group is responsible for promoting the implementation of the sustainable development strategies and projects of the Group in order to improve the sustainability performance of the Group in all respects. To ensure the effective implementation and goal attainment of ESG projects, the Group has included ESG performance in the performance assessment of the senior management, and has adopted remuneration reward and punishment measures to enhance the enthusiasm and efficiency of the management.

Material Sustainability Issues

The Group has established a transparent and efficient communication mechanism for stakeholders, which identifies the concerns of stakeholders in terms of sustainable development on a regular basis to keep abreast of the demands and expectations of stakeholders. For sustainability issues of high importance, we will formulate effective management strategies, and regularly review and evaluate the performance of the Group so as to meet the requirements of stakeholders.

1.1.3 Stakeholder Engagement

Communication with Stakeholders

The Group takes the initiative to communicate with customers, shareholders, government and regulatory authorities, employees, media and the public, suppliers, communities and non-governmental organizations, institutional investors and other key stakeholders through various online and offline methods to convey the mid- and long-term strategic plans of the Group. By communicating with all these parties, we are fully aware of the expectations of stakeholders for the sustainable development of the Group, which is regarded as an important consideration for improvement.

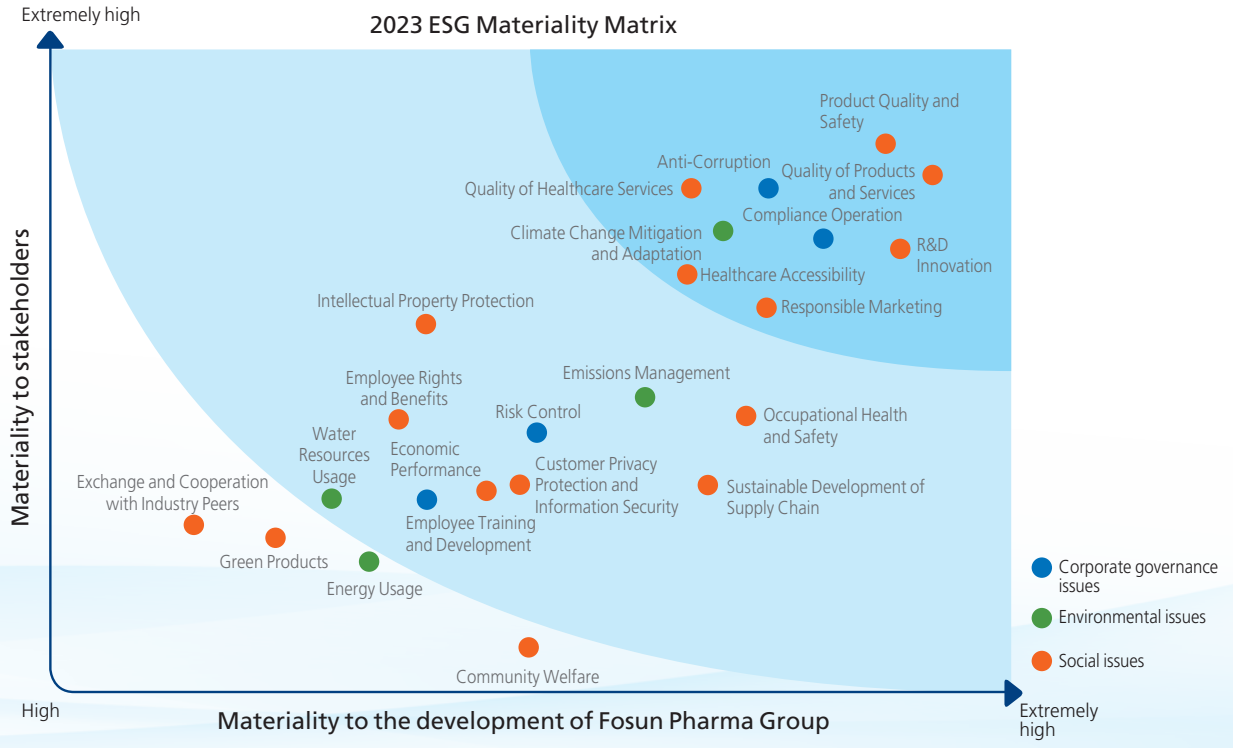
Identified stakeholders	Important sustainability issues in focus	Stakeholder communication channels/ company's response methods
Shareholders and investors[Note] 	Compliance Operation Risk Prevention and Control Economic Performance	Organize on-site visits and inspections Organize online/offline roadshows Attend domestic and overseas strategy meetings Host investor open days Convene results presentations Set up feedback platforms such as hotline, email and website Continue to improve the corporate governance system
Customers and consumers 	Product Quality and Safety Quality of Healthcare Services Quality of Products and Services Responsible Marketing Customer Privacy Protection and Information Security	Continue to improve the pharmaceutical quality system and provide high-quality healthcare services Maintain good doctor-patient relationship and conduct customer satisfaction survey Establish a professional commercialization team and a compliant marketing mechanism Continue to improve the innovation mechanism Continue to improve the customer privacy protection mechanism
Media 	Information Disclosure	Continue to improve and implement the information disclosure system Establish an effective media communication mechanism Timely disclose information through the official website, WeChat official account and other platforms of Fosun Pharma
Employees 	Employee Rights and Benefits Employee Training and Development Occupational Health and Safety	Establish a labor union to safeguard employees' rights and interests Enter into collective contracts Establish a long-term talent training mechanism and Healthcare Management Institute Organize regular employee caring activities Solicit employees' opinions and suggestions on rationalization Pursue occupational health and safety management
Suppliers 	Sustainable Development of Supply Chain Exchange and Cooperation with Industry Peers Anti-Corruption	Establish regulated and transparent supplier procurement, tender and management procedures Conduct on-site audit on suppliers Pursue green supply chain management

Note: In 2023, the Group convened three results presentations, held one investor open day with the theme of innovative R&D strategies, responded to over 900 questions from investors through the SSE e-interactive platform, investor hotline/email and other channels, and conducted/attended more than 200 on-site inspections (visits), online/telephone conference roadshows, and domestic and overseas strategy meetings.

1. Responsible Operation

Identified stakeholders	Important sustainability issues in focus	Stakeholder communication channels/ company's response methods
Government and regulatory authorities	Compliance Operation R&D Innovation Healthcare Accessibility Exchange and Cooperation with Industry Peers	Operate under the laws Continue to pursue innovatives R&D Participate in policy formulation and provide suggestions Actively participate in government projects Participate in industry association platforms
Communities, the public and non-governmental organizations	Community Welfare Green Products Energy Usage Climate Change Mitigation and Adaptation Emissions Management	Actively participate in community services Participate in various activities of public welfare organizations Actively carry out various public welfare activities Actively reduce emission and pollution during production
Doctors	Product Quality and Safety R&D Innovation Quality of Healthcare Services Exchange and Cooperation with Industry Peers Anti-Corruption	Communicate with industry peers Participate in industry association platforms Communicate with media partners

We identify material ESG issues that require special attention of the Group on a regular basis. Through evaluation on and communication with internal and external stakeholders, we rank the materiality of these issues and develop a materiality matrix to provide support for the long-term ESG strategies to be formulated by the Group. During the Reporting Period, we identified a total of 23 sustainability issues for the Group, 9 of which were material sustainability issues, including product quality and safety, quality of healthcare services, R&D innovation, healthcare accessibility, responsible marketing, compliance operation, climate change mitigation and adaptation, quality of products and services, and anti-corruption.

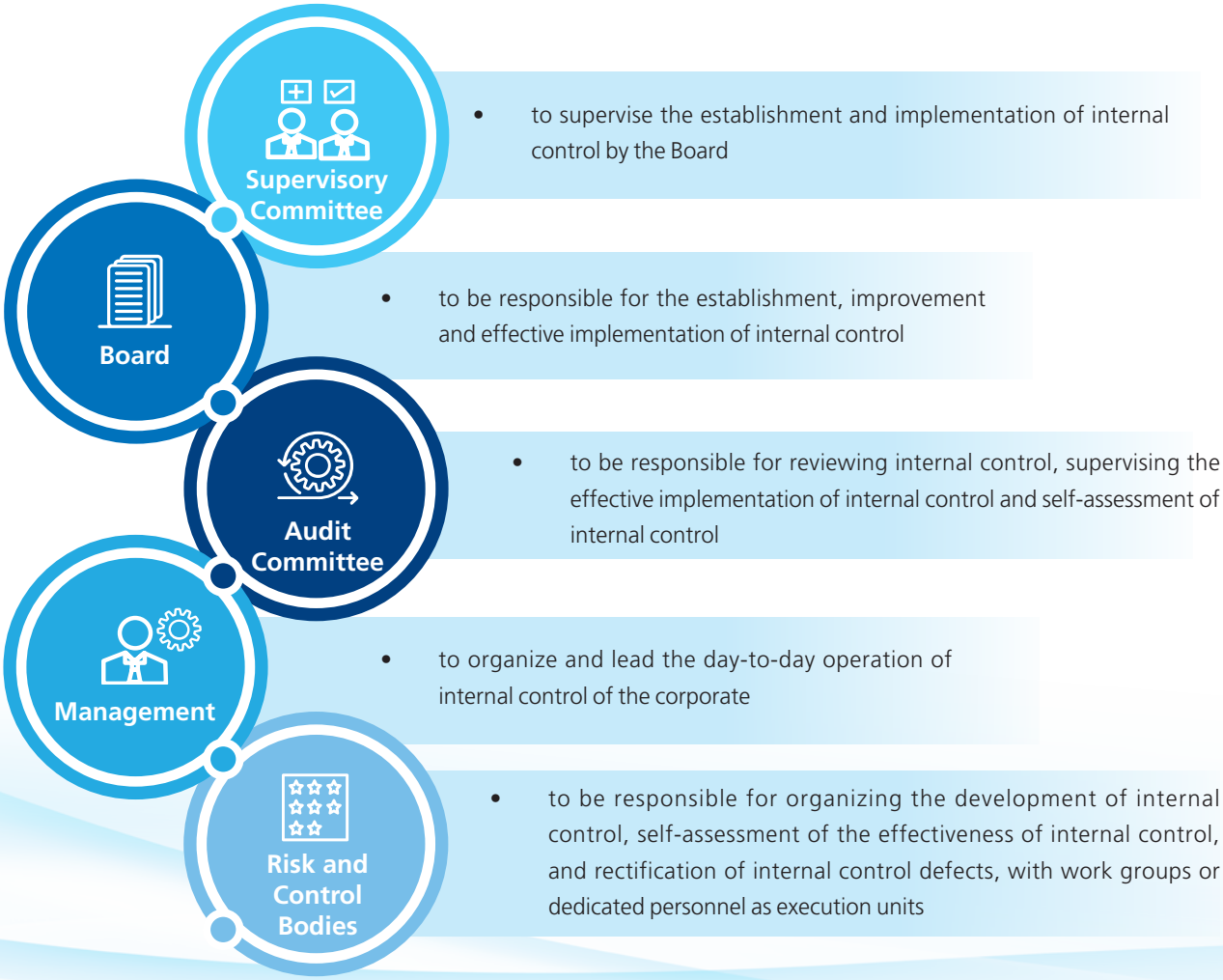


1. Responsible Operation

1.2 Risk Control

Comprehensive risk control plays an important role in corporate management, helping companies strengthen their business capabilities and rise to changes and uncertainties in the external environment. Accordingly, the establishment and continuous optimization of a risk prevention and control structure is an inevitable act. Under which, the Group may maintain long-term and stable operation, reduce potential economic losses by identifying and managing various risks, and make wise decisions on development directions, thereby laying a solid foundation for long-term sustainable operations and success.

In order to reinforce risk and internal control management, the Group has integrated ESG-related risks and climate change risks into its risk management and internal control management structure, and has adopted ongoing monitoring measures to mitigate their impacts.



Risk Management Structure

1. Responsible Operation

Risk Prevention and Control System

Focusing on the long-term corporate risks, the Group has established a sound risk prevention and control system with the joint efforts of internal control construction, internal audit and anti-corruption functions. Pursuant to the relevant laws, regulations and regulatory requirements, the Group has formulated the Internal Control Manual, setting forth the internal control standards and processes in detail, which establishes a management framework for the risk prevention and control system of the Group, and ensures the effective operation of the risk management and control system.

During the Reporting Period, in response to the key risk points in the course of operations, such as procurement, infrastructure, product quality and safety and information security, the Group further optimized its internal control management process, and strengthened its control and supervision over those risk points, thereby maximizing its control on the adverse impacts of potential risks on the Group. Specific measures are as follows:

Centralized procurement and procurement risk management	Infrastructure project risk management	Quality and safety risk management	Information security risk management
• Formulated internal procurement management documents, and continued to improve the supplier life cycle management process • Circulated the Code of Conduct of Suppliers of the Group and supplier quality requirements to suppliers • In 2023, the Group conducted green supply chain audits on 23 suppliers, and handled 35 cases of violation by suppliers	• Continued to improve the infrastructure project management system, and enhanced project safety, quality and progress management • Convened monthly regular meetings to keep abreast of the situation and track project progress in an all-round way • Conducted project inspections • Established a project bidding expert pool system • Strengthened project audit, and conducted one-off or twice-off audits for each preparation • Continued to promote refined management measures, and reviewed each stage of the project to ensure effective execution and timely delivery of the project	• Fulfilled the responsibility system of holders, strengthened full life cycle quality management, and promoted continuous quality improvement • Enhanced the professional skills and audit competence of the internal audit team • Optimized the reporting of key quality indicators of the Group, and developed a digital reporting system and visual reporting • Carried out quality management appraisals • Set up technical committees to build up a talent pool in terms of core competencies	• Participated in the cyber security classification, and was classified as a grade II enterprise • Engaged a third-party security service provider to monitor the status of the Group's information security equipment and systems on a 24-hour basis • Established and continuously improved the information security system, and passed the IS027001 accreditation • Issued the Data Security Management Regulations

Internal Control Risk Management Measures

Internal Audit

According to the Internal Auditing System, the Audit Department of the Group conducts independent internal audits, exercises the right of internal supervision, and performs supervision, evaluation and service functions. The Internal Audit Department carries out business line construction and strives to establish internal audit teams in various business segments. The synergy of the business lines further maximizes the effectiveness of internal supervision of the Group.

The Group conducts special audits on key construction projects to ensure timely identification of defects during project implementation so as to advise on compliance and efficiency. The Group continues to promote special audits, covering key processes such as R&D, sales, procurement and expenses, so as to ensure timely and effective risk control and eliminate hidden hazards. In addition, the Group continues to conduct internal control audits and evaluations, and continues to evaluate and advise on the design and effectiveness of internal controls.

During the Reporting Period, the audit line of the Group conducted more than 50 audits in total, covering the headquarter and major subsidiaries of various business segments, and carried out annual internal control audit and evaluation within the Group, covering entities with revenue accounting for approximately 98.76% of the consolidated revenue of the Group. The Group will conduct rectification and ongoing follow-up actions for major problems identified in audits to ensure that the problems are rectified, continue to improve the quality of internal control, and thus achieve its goal towards sustainable development.

1.3 Business Ethics

Business Ethics Management System

Adhering to the principle of "investigating every case, learning from the past mistakes to avoid future ones, emphasizing investigation with the priority of prevention, and addressing both symptoms and root causes", the Group eliminates any form of corruption. The Group has brought issues related to business ethics into the scope of oversight of the Board and the Audit Committee to create a fair and integrity internal business environment from top to bottom.

As the highest guidelines of business ethics of the Group, the Guidelines on Business Ethics, which restrains ourselves, employees and suppliers, has been reviewed and approved by the Board and announced to the public. As delegated by the Board, the Board Audit Committee conducts comprehensive supervision over the business ethics matters of the Group and supervises its implementation. As the day-to-day management body of the code of business ethics, The Disciplinary Committee of Fosun Pharma is responsible for the comprehensive implementation of the guidelines within the Group, including the establishment and implementation of the mechanism of the code of business ethics, and discussions and decisions on the corresponding penalties for those who violate the guidelines. The Disciplinary Committee of Fosun Pharma shall report to the Board Audit Committee on the implementation of the code of business ethics on a regular basis.

In order to ensure the effective implementation of the code of business ethics by employees and suppliers, the Group continues to improve its business ethics system, and has formulated 9 anti-corruption related documents, including but not limited to the Regulations on Anti-Corruption, the Anti-Commercial Bribery Agreement, the Provisions on Integrity Administration of Engineering Construction Projects, the Whistle-blowing Management Regulations, the Whistleblower and Witness Protection Act and Reward Provisions, the Regulations on the Management of Employee Integrity in Practice, the Administrative Measures for Cash and Gifts Received in Official Activities (Trial Implementation) and the Reward, Punishment and Appeal Management System, to ensure that employees at all levels and business partners of the Group regulate their own behavior, and establish and maintain an integrity corporate atmosphere.

1. Responsible Operation

The Group has established an anti-corruption compliance control system of "prevention-detection-remediation", continuously strengthened its supervision over anti-corruption, and implemented business ethics management from multiple dimensions such as employee rights, information security, anti-corruption and anti-bribery, and international trade compliance. The Group has established four prevention and control processes, in which business department acts as the first line of defense, and then move up tier by tier to the Anti-Corruption Supervision Department to conduct public supervision of any behavior that may lead to non-compliance, eliminate potential risks, and secure the stable operation of the Group.

First line of defense

- Business department: strictly abides by the corporate system, internal supervision, and regulates its own behavior

Second line of defense

- Financial department: is responsible for the daily financial monitoring and timely detection of abnormal situations

Third line of defense

- Internal audit department: actively conducts anti-corruption and business ethics reviews to ensure the compliance with business ethics in the daily operations of various functional departments and subsidiaries

Fourth line of defense

- Anti-Corruption Supervision Department: is committed to establishing a sound anti-corruption governance system to ensure timely investigation and handling of corruption cases, and create an integrity and fair corporate atmosphere

Business Ethics Audit and Supervision

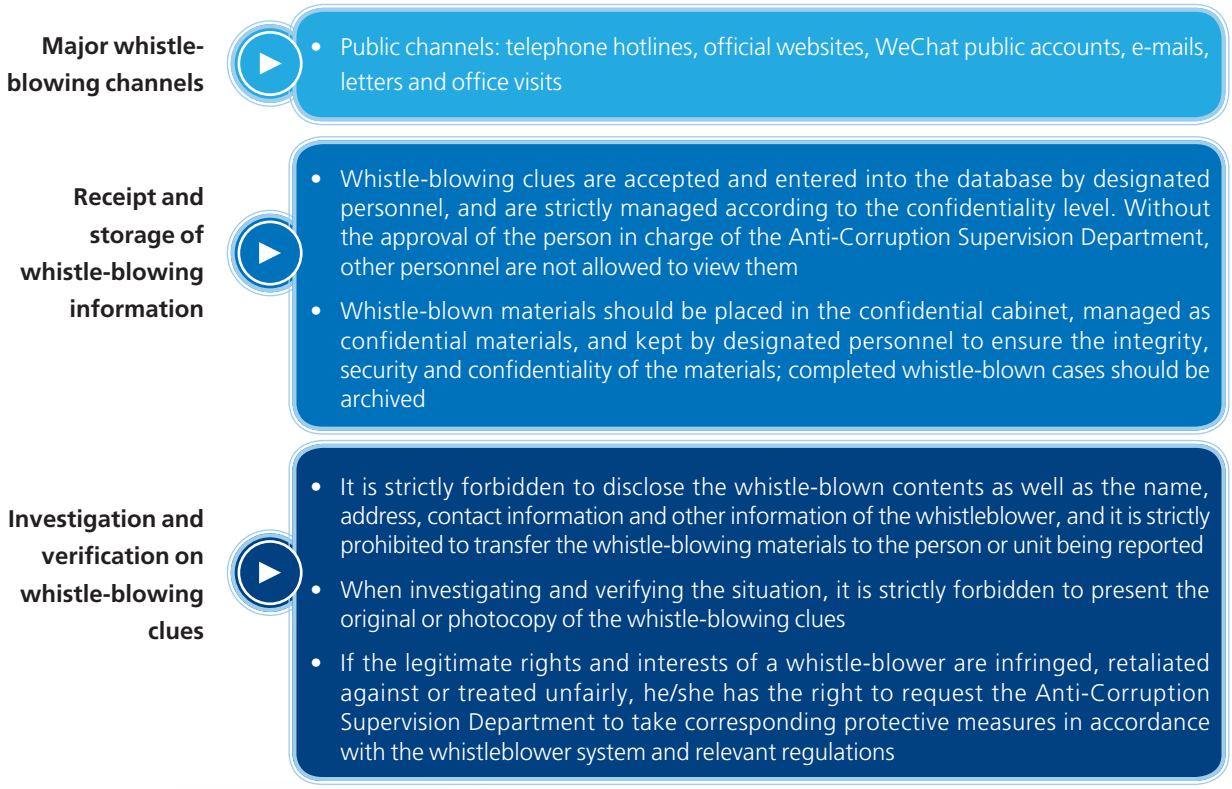
The Internal Audit Department and the Anti-Corruption Supervision Department further reinforce the effectiveness of the anti-corruption and business ethics management of the Group in the form of audits and supervisions.

At the audit level, the Internal Audit Department has taken the compliance of business ethics into consideration when formulating the audit plan every year. On the basis of conducting audits for various business segments, additional special audits will be conducted on sectors with great business ethics risks and new subsidiaries to ensure compliance in key processes and sectors. The audit covered all the business operations every three years. Clues to business ethics issues identified during the audit will be handed over to the Anti-Corruption Supervision Department for in-depth investigation to ensure that the incident is properly handled. At the same time, the Group also cooperates with external third-party auditors to audit and supervise the business ethics of suppliers on a regular basis to strengthen the stability of business operations.

1. Responsible Operation

At the supervision level, the Anti-Corruption Supervision Department continues to strengthen supervision and proactively supervise processes with high business ethics risks to reduce the occurrence of non-compliance incidents. In 2023, the Anti-Corruption Supervision Department participated in the supervision of open tender of 14 projects in total, processed 19 clues in total with 18 of them reviewed or investigated. 10 employees received the punishment of rescission of the labor contract, 2 received the disciplinary punishment including a warning due to violations of relevant integrity regulations; 3 were imposed with compulsory criminal measures due to violation of criminal laws; losses totaling RMB7.81 million were recovered for the corporate through case investigation.

At the same time, the Group has opened up whistle-blowing channels, improved whistleblower protection measures by formulating and announcing the Whistle-blowing Management Regulations and the Whistleblower and Witness Protection Act and Reward Provisions, and encouraged all employees, internal and external parties to actively speak up. The Group has established a comprehensive whistle-blowing process to evaluate, investigate and collect evidence on the reported cases received, and report the results to the whistleblower in a timely manner.



Whistle-blowing Handling Process

Integrity Culture Construction and Training

Building a culture of integrity is one of the most powerful means for the Group to ensure the compliance of business ethics. In order to enhance the awareness and understanding of anti-corruption among employees, the Group regularly conducts business ethics and anti-corruption training for all employees, part-time employees and contractors at the headquarter and subsidiaries. During the Reporting Period, a total of 18 business ethics training sessions and lectures were provided, including 2 morning meetings for employees, 4 induction training sessions for new recruits, 8 training sessions for 8 subsidiaries including Guilin Pharma, Yao Pharma, Fosun Antejin and Jiangsu Fosun Pharma, 1 training and teaching session for the President Class of Fosun Health, 1 anti-corruption lecture for the procurement line and 1 special anti-corruption training session for senior executives.

In addition to training, the Group set an integrity and compliance channel on the home page of the official website of Fosun Pharma, and established a portal site of the Disciplinary Committee and the Anti-Corruption Supervision Department on the OA system. By updating anti-corruption news, cases and laws and regulations from time to time on a weekly basis, the Group proactively provides legal publicity and education on anti-corruption and integrity for all employees and partners in a subtle and silent way to strengthen a clean and honest corporate atmosphere.

1. Responsible Operation

Case: Anti-Corruption Training in the ESG Culture Month

In September 2023, the Group provided training sessions on business ethics for all employees with the theme of anti-corruption. The content covered the concept of anti-corruption, introduction to relevant laws and regulations, as well as the anti-corruption management system, policy mechanisms and internal cases, emphasizing that all levels of employees must be strict with themselves and strive to practice the values of integrity of the Group, so as to achieve mutual success in personal development and corporate prosperity. The training sessions further enhanced the knowledge and understanding of anti-corruption tasks among employees, enhanced the awareness of compliance among employees, and laid a solid foundation for the integrity culture and sustainable development of the Group.

Anti-Corruption Training

1. Responsible Operation

Anti-Corruption Management on Suppliers

The Group emphasizes the compliance of business cooperation for third-party suppliers and partners in its business activities. The Group has formulated and promulgated the Anti-Commercial Bribery Agreement policy for third-party suppliers or partners. When the Group signs contracts with external parties, the Anti-Commercial Bribery Agreement must be signed as well. The agreement requires that the Group's staff shall not solicit or accept improper benefits from others, and requires the counterparty to the contract not to seek benefits by bribery or give improper benefits to the staff of the Group. In case of deliberate obstacles or solicitation of bribery when signing contracts, such circumstances should be reported through the designated whistle-blowing channels, and all parties will be treated equally. In terms of procurement, the Group also requires suppliers participating in the bidding to sign the Letter of Commitment on Integrity as Suppliers before signing up to undertake that they will not engage in fraudulent behavior or offer unjust benefits to the staff in charge of tender in the bidding process.

External partners	All internal staff of the Group
• All suppliers and external partners are required to formulate their own anti-corruption policies and sign with the Group the Anti-Commercial Bribery Agreement, which is included in the contracts. • During the procurement process, the suppliers participating in the bidding are required to sign the Letter of Commitment on Integrity as Suppliers before signing up to undertake that they will not engage in fraudulent behavior or offer unjust benefits to the staff in charge of tender in the bidding process	• The Employee Integrity Commitment shall be signed during induction

Anti-Commercial Bribery Requirements of Fosun Pharma Group

1. Responsible Operation

1.4 Party Building Efforts

Established in 2007, the Party Committee of Fosun Pharma has secured high-quality corporate development as guided by high-quality Party building efforts while upholding the concept of "simultaneous and healthy development under the guidance of Party building" as its working core over the years. As at the end of the Reporting Period, the Party Committee of Fosun Pharma comprised 696 members, of which 370 members were young people under 35 years old, accounting for 53.16%, and 402 members held a master's degree or above, accounting for 57.76%.

2023 was the first year that the guiding principles of the 20th CPC National Congress were implemented fully. In order to thoroughly study Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and the guiding principles of the 20th CPC National Congress, the Party Committee of Fosun Pharma held a thematic education and deployment meeting and a thematic pep rally for studying and implementing Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. Focusing on the general requirements of "learning thoughts, strengthening Party spirit, emphasizing practice, and making new progress", the Party Committee and its branch organizations launched a series of thematic education activities such as self-studying of theories, collaborative studying in branches, thematic education lectures, "red" studying in revolutionary education bases, music and art thematic Party day activities, and collaborative construction and joint studying on Party building, so as to strengthen ideological and political guidance, guide all Party members to deeply understand and grasp the insight of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, maintain a spirit of hard work and accountability, and always maintain the passion for innovation and entrepreneurship, thereby providing a strong organizational guarantee for promoting high-quality corporate development.

The Party Committee of Fosun Pharma has always insisted on leading the spiritual civilization construction by core socialist values. In 2023, the Company maintained the title of "Civilized Unit of Shanghai City". Led by the Party Committee, and regarding the hot topics concerned by employees, key points of corporate development, and crucial points of organizational construction as the starting point, the labor union continues to strengthen its organizational construction, strives to serve and unite employees, and supports the economic development of the corporate, such that employees can have a sense that the labor union is the "home of employees". In 2023, the labor union of Fosun Pharma won the honorary title of "National Advanced Enterprise Labor Union with Double Caring and Double Evaluation" jointly awarded by the All-China Federation of Industry and Commerce, the Ministry of Human Resources and Social Security and the All-China Federation of Trade Unions. It is the only corporate labor union in Shanghai that has won such honor.

With the guidance and support of the Party Committee of Fosun Pharma, the Group maintains steady growth in business performance, and continuously brings patients more accessible products and quality medical services. At the same time, the Group's innovation strategy has been recognized and strongly supported by the Party and the government, and many innovations have been implemented in recent years, benefiting more patients and families, and contributing to the development of the pharmaceutical industry and people's health.

Thematic Party Day Activity

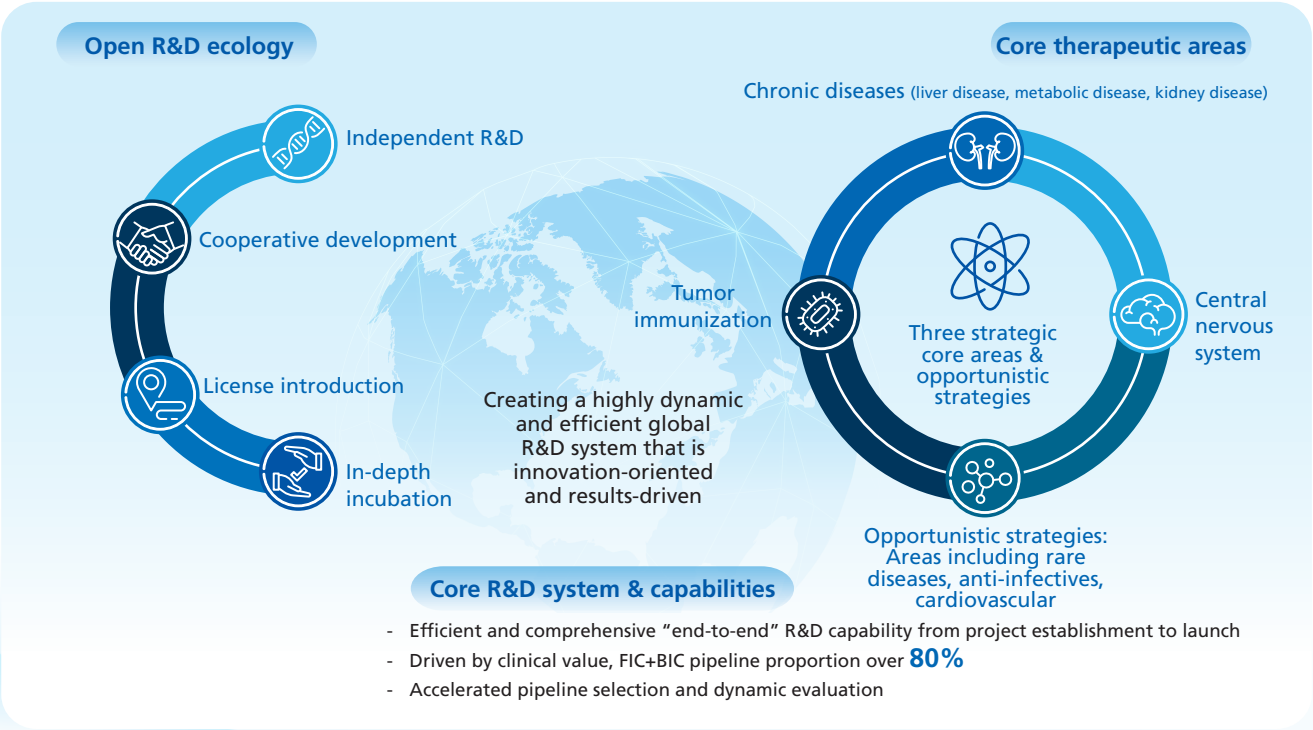
2. Product Responsibility

Adhering to the quality policy of "Respect for Life, Focus on Quality, Commitment to Perfection, and Pursuit of Excellence", the Group strengthens independent R&D and external cooperation, enriches its product pipelines and improves product quality, in order to provide patients and customers with quality and accessible products and services.

2.1 Drug Accessibility

2.1.1 Innovative R&D

Innovation is the most important responsibility in the sustainable development of the Group. The Group is patient-centered and driven by clinical needs. Through the open innovation model encompassing independent R&D, collaborative development, license introduction and in-depth incubation, the Group focused on the core therapeutic areas such as oncology (solid tumors and hematological tumors), immunology, central nervous system and chronic diseases (liver disease/metabolic disease/kidney disease), as well as improving the core technology platforms of small molecules, antibodies/ADCs, cellular therapies and RNAs, so as to build an open, global, efficient and comprehensive "end-to-end" R&D system from project establishment, early research to clinical stage. The Group continued to enhance pipeline value, promote the R&D and commercialization of FIC (First-in-class) and BIC (Best-in-class) products and enrich its innovative product pipeline.



R&D Investment

In 2023, the R&D expenditure of the Group amounted to RMB5,937 million (including capitalization expenses), of which R&D expenses amounted to RMB4,346 million, representing a year-on-year increase of 1.02%. R&D expenditures in the pharmaceutical manufacturing segment amounted to RMB5,172 million, representing a year-on-year increase of 1.47%.

2. Product Responsibility

R&D capability improvement

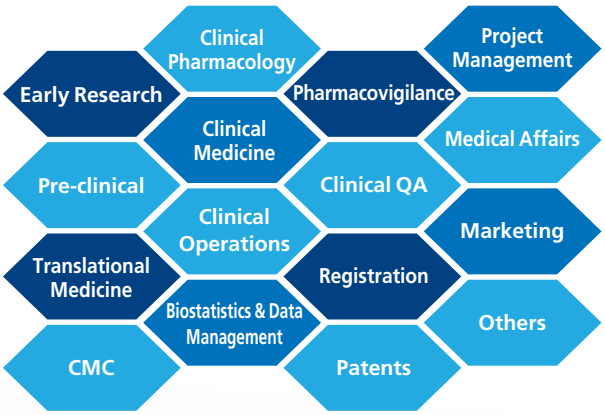
The Group continuously strengthened its R&D capability and promoted technological innovation and product upgrading through diversified R&D incentives and a comprehensive R&D team training system.

In view of the characteristics of our R&D business, the Group formulated various ESOP (Employee Stock Ownership Plan) incentive plans, such as innovative drug R&D incentives, generic drug CMC R&D incentives and ESOPs which are in line with the characteristics of domestic and overseas incubator platforms and incubates, so as to effectively achieve retention and incentives of key core R&D personnel to grow and develop with the enterprise in the long term.

In terms of R&D capacity building, the Group adopted a training method that combines online and offline to ensure that the R&D team is constantly update with the latest trends and to enhance their professionalism. During the Reporting Period, the Group launched the "Special Training Camp for R&D Managers" and organized a series of R&D courses and activities on the global R&D center platform to continuously improve its R&D capabilities.

Innovative R&D Capacity Building (Global R&D Center)

In 2023, the global R&D center continued to provide training and empowerment for innovative pharmaceutical R&D project managers. Starting from the capabilities required for innovative R&D, the global R&D center established a competency model for project managers through interviews and refinement of successful traits, and assessed the gaps between requirements and capability through professional assessment tools. At the same time, a series of training and development activities, including leadership training, practice sharing, and cross-departmental experience development, were launched on such basis. During the period, the global R&D center cooperated with the Talent Development Center on the content side and the platform side, launched two brands of professional competency building, "Fosun R&D Sharing" and "R&D Knowledge Base", produced more than 50 professional courses in 15 modules consecutively, which covered innovative drug R&D and life-cycle management, and continued to build a knowledge base of professional capabilities. With course resources stored and gathered through the online learning platform, the Group provided employees with rich and convenient academic systems and courses and updated industry knowledge.



R&D Knowledge Base

2. Product Responsibility

R&D Achievements

As at the end of the Reporting Period, the Group had over 70 major innovative drug and biosimilar projects under development (by indications).

Launched core innovative products of the Group:

Product name	Generic name	Product information
Han Li Kang®	Rituximab injection	The first biosimilar in China
Han Qu You® (Europe product name: Zercepac®, Australia product name: Tuzucip®, Trastucip®)	Trastuzumab injection	The first domestic self-developed monoclonal antibody biosimilar in China approved in both China and Europe
Han Si Zhuang® (Indonesia product name: Zerpidio®)	Serplulimab injection	The first self-developed innovative monoclonal antibody H drug
Han Da Yuan®	Adalimumab injection	The first domestic adalimumab biosimilar with GMP certified production base approved in both China and Europe
Han Bei Tai®	Bevacizumab injection	The only bevacizumab with phase III clinical trial statistics of metastatic colorectal cancer in China Biosimilar
Comirnaty Bivalent mRNA Vaccine	/	Full coverage of the Omicron variant, can be received in Hong Kong and Macau at own expense
Yi Kai Da®Note	Ejilunsai injection	The first CAR-T cell therapy product approved for launch in China
Jie Bei An®	Azvudine tablets	The first domestic COVID-19 small molecule oral drug
Artesun®	Artesunate injection	First-line drug for the treatment of severe malaria recommended by the WHO Guidelines for the Treatment of Malaria
Argesun®	Artesunate injection	The first artesunate injectable presented with a single solvent system approved by the WHO prequalification in the world
Su Ke Xin®	Avatrombopag maleate tablets	The first oral drug approved for the treatment of thrombocytopenia related to chronic liver diseases in the world
Akynzeo®	Netupitant and palonosetron hydrochloride capsules	The first and only innovative dual-channel antiemetic drug in the world
Pei Jin®	Telpegfilgrastim injection	New generation of long-acting white blood cell booster drug in China with independent intellectual property rights
Bei Wen®	Keverprazan hydrochloride tablets	The first potassium ion competitive acid blocker (P-CAB) independently developed in China for the treatment of duodenal ulcer (DU) and reflux esophagitis (RE)
Yi Xin Tan®	Sacubitril valsartan sodium tablets	First-line drug for the treatment of heart failure and hypertension in an innovative crystalline form
Otezla®	Apremilast tablets	The first oral phosphodiesterase-4 (PDE4) inhibitor for the treatment of plaque psoriasis in China

Note: Product of Fosun Kite, a joint venture

2. Product Responsibility

R&D Ethics

While the fostering continuous innovation and R&D to bring more hope of cure to patients, the Group also pays attention to the ethical issues in the R&D process. In the early clinical stage, we conduct of ethical animal experiments and protect experimental animals. In the late-clinical stage, we comply with relevant regulations and ethical standards, respect and protect the life, health and legal rights of the subjects and safeguard the dignity of human beings.

Laboratory animals are the fundamental elements and important supporting conditions for life science research, while animal experiments are the basic means of life science research. The Group manages laboratory animals in three ways, including laboratory animals, animal experiments and facility operation. Specifically: breeding, reproduction, raising, quality control, disease prevention and diagnosis of laboratory animals, research on the reaction and performance of laboratory animals during experiments, and their occurrence mechanism, development rules and supporting conditions, as well as the operating conditions of the environmental facilities for laboratory animals. During the reproduction and experiments of laboratory animals, the Group raises and uses laboratory animals scientifically and humanely, proactively improves animal raising environment, protects rights of laboratory animals, continuously explores and carries out refined animal experiment technology, and reduces and replaces the use of laboratory animals, in active response to the animal ethics and animal welfare protection requirements.

Intellectual Property Protection

While actively conducting innovative R&D, the Group continuously improved its intellectual property management system. We complied with the national standard such as Enterprise Intellectual Property Management Standards and continued to implement the "blockbuster product intellectual property strategy", improved patent quality with high standards, and comprehensively leveraged intellectual property systems such as patents, technical secrets and trademarks to build an intellectual property barrier for pharmaceutical R&D and innovation achievements.

Combining intellectual property operation with the whole process of project initiation, R&D and marketing of new products, we have carried out a dynamic technical and legal analysis of project-related intellectual property rights during the project initiation and the whole research and development process, and identified and warned intellectual property risks. The Group has established intellectual property portfolios including patent portfolios for key products to prolong the life cycle of products and ensure the realization of the economic and social value of R&D investment.

During the Reporting Period, the pharmaceutical manufacturing segment of the Group submitted 206 patent applications, including 5 American patents applications, 11 PCT applications, and the Group has obtained 74 patents for invention.

2.1.2 Access to Healthcare

The Group has been adhering to the mission of "Better Health for Families Worldwide", continuously focusing on unmet clinical needs and considering R&D and innovation as the most important responsibility in sustainable development. The Group established a clear and rich product R&D pipeline, fully took into account the medical needs in China and overseas pharmaceutical markets, formulated a differentiated strategy for global expansion and is committed to guarding the health of more patients.

The Board is the highest responsible organization for access to healthcare issues and oversees the implementation of access to healthcare related work through the ESG Committee. The ESG Committee is responsible for reviewing the Group's strategies, policies and performance on access to healthcare issues on an annual basis and reporting to the Board on the progress of such issues to ensure they are in line with the Group's mission and to provide more accessible and affordable products and services to patients worldwide.

The Group considers the promotion of access to healthcare as an important corporate responsibility and supports The Doha Declaration on the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement and Public Health and the provisions of the Patent Law of the People's Republic of China on the compulsory licensing of relevant pharmaceutical patents for the purpose of public interest or in case of emergency. The Group explicitly supports reasonable generic drug competition. As at the end of the Reporting Period, a total of 32 products of the Group that had passed or deemed to have passed the consistency evaluation of generic drugs were selected in nine batches of national centralized drug procurement bidding. For the existing products included in centralized procurement, the Group leveraged the advantages of multi-channel marketing and lean production to strengthen the life cycle management of centralized procurement products while sacrificing price for volume, and actively promoted incremental products to quickly enter the market through centralized procurement. Meanwhile, for the least developed countries and low-income countries with actual demands, the Group will consider selecting suitable third parties and entering into voluntary licensing agreements in accordance with appropriate terms and conditions, so as to manufacture and export relevant medicines to such regions to enhance the well-being of the local population.

2. Product Responsibility

Paying attention to R&D in rare diseases

Due to the extremely low market demand, limited R&D profits and lack of clinical drug experience, rare disease drugs have problems such as low R&D enthusiasm and excessive treatment burden. To focus on the huge unmet demand in this area, the Group is committed to accelerating the R&D of drugs for rare diseases and clinically urgently needed drugs, so as to fill the gaps in the field of treatment of related diseases and improve the accessibility of innovative therapeutic drugs to patients with rare diseases.

During the Reporting Period, the Group launched 4 orphan drugs for rare diseases and had 10 orphan drugs for rare diseases under development.

Rare disease drugs launched and certain rare disease drugs under development

Rare disease drugs	Indications	Marketing situation
Gamma interferon	Chronic granulomatous disease	Marketed
Remodulin	Idiopathic pulmonary hypertension	Marketed
Su Ke Xin	Immune thrombocytopenia	Marketed
Wei Ge Ding	Infantile severe myoclonic epilepsy	Marketed
FCN-159	Histiocytic tumors (Langerhans histiocytosis) Neurofibromatosis type I in adults	Under development Under development
HLX 208	Langerhans cell histiocytosis (LCH) and Erdheim Chester disease (ECD)	Under development

Case: Effectively guarantee medication for patients with chronic granulomatous disease, bring attention to more rare disease patients

Chronic granulomatous disease (CGD) is a rare primary immunodeficiency disease, with only a few hundred domestic cases reported over the years. CGD develops in infancy or early childhood, characterized by recurrent and severe bacterial and fungal infections and granuloma formation. The most typical clinical manifestations are recurrent fever and localized suppurative inflammation, which can be life-threatening in severe cases.

In 2022, the Group's self-developed "human interferon γ for injection" (trade name: CLONGAMMA®, or IFNγ) CGD indication was approved for marketing, which is the exclusive CGD immunotherapy drug marketed in China. Due to the rarity of the disease, the market demand for the drug is limited. The minimum batch size for the production of the drug is usually tens of thousands, which is expensive to produce. In addition, most of the products produced may be scrapped due to limited demand and sales. We uphold the concept of humanitarian treatment and insist on producing the drug even if it would result in a loss, so as to alleviate the suffering, reduce the lethality rate of children with rare diseases and bring hope of cure and survival to their families.

2. Product Responsibility

Enhance Product Accessibility

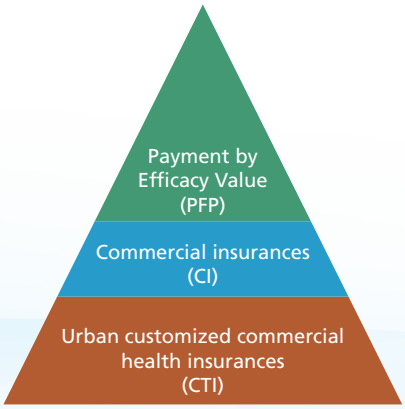
As at the end of the Reporting Period, several products of the Group, such as Artesun®, Argesun® (artesunate injection), Han Li Kang® (rituximab injection), Han Qu You® (trastuzumab injection), Han Si Zhuang (serplulimab injection), are constantly benefiting patients. Meanwhile, a range of innovative drugs and new indications of the Group were included in the National Medical Insurance Drug Catalogue, further improving the accessibility and affordability of innovative drugs. The new second-line indication of Yi Kai Da® (ejilunsai injection), the first domestic CAR-T cell therapy product, was approved, domestically-manufactured Da Vinci Surgical Robot was approved by NMPA, which continuously improve product accessibility and benefit more patients.

Case: Yi Kai Da® innovative payment plan to increase accessibility of high quality CAR-T drugs to more patients

In June 2023, the new second-line indication of Yi Kai Da® (ejilunsai injection), the first domestic CAR-T cell therapy product of Fosun Kite, a joint venture, for treatment of adults patients with large B-cell lymphoma (r/r LBCL) refractory to first-line immunochemotherapy or relapsing within 12 months of first-line immunochemotherapy, was approved in Chinese mainland, which will bring the hope of cure to more patients with lymphoma that is refractory to first-line immunochemotherapy or relapses.

For cancer patients, five-year survival rate is an important milestone, signaling that the cancer has been cured. By the end of 2023, Yi Kai Da® successfully treated more than 600 LBCL patients in China. According to research data, the five-year overall survival (OS) rate of patients treated with Yi Kai Da® is 42.6%; the five-year OS rate of patients in complete remission (CR) is 64.4%. 92% of patients who survive for 5 years do not need additional cancer treatment and may potentially be cured clinically.

At the same time, Fosun Kite actively promoted the accessibility of CAR-T products. In terms of "accessibility", Fosun Kite assisted hospitals across the country to establish more than 160 Yi Kai Da® qualified treatment centers covering 25 provinces, autonomous regions and municipalities, so that patients across the country can receive standardized CAR-T cell therapy in their vicinity. In terms of "affordability", relying on the national multi-level medical insurance system, Fosun Kite actively explored innovative payment plans, such as including such drugs in the urban customized commercial supplementary insurance in various provinces and cities, and deepening cooperation with TPAs (Third Party Administrators) and insurance companies to improve the affordability of Yi Kai Da® for insured patients. As of 31 December 2023, Yi Kai Da® was included in the urban customized commercial supplementary insurance in more than 100 provinces and municipalities and 75 commercial insurances. In January 2024, Fosun Kite launched China's first lymphoma payment plan by value of efficacy to reduce patients' financial burden.



- Launched China's first biopharmaceutical innovative drug "Payment by Efficacy Value Plan" centered on the concept of "cure". Yi Kai Da® will also be the first biopharmaceutical innovative drug in China paid by efficacy value.
- Eligible patients who do not achieve a complete response (CR) after treatment with Yi Kai Da® will receive a refund up to RMB600,000.
- Included in more than 75 commercial insurances
- Included in more than 100 provincial and municipal urban customized commercial health insurances

2. Product Responsibility

Case: Domestically-manufactured Da Vinci Surgical Robot to enhance accessibility to quality medical resources

As at the end of the Reporting Period, the accumulated total installation volume of Da Vinci Surgical Robot of Intuitive Fosun, a joint venture, in China was more than 360. More than 420,000 patients had benefited from the Da Vinci Surgical Robot's precise treatment and returned to normal life. More than 3,000 medical professionals received training on the Da Vinci Surgical System at the Da Vinci Innovation Center in Zhangjiang, Pudong, Shanghai.

To further upgrade local medical care services and enhance the accessibility of quality medical care resources, the Da Vinci Surgical Robot has made several breakthroughs on its road to localization in 2023:

In June 2023, the thoracic and abdominal endoscopy surgical control system (domestically-manufactured Da Vinci Xi Surgical System) of Intuitive Fosun, which can be applied in endoscopic surgeries in urology, general surgery, obstetrics and gynecology, thoracic surgery etc., was approved by NMPA;

In August 2023, Intuitive Fosun obtained the medical device manufacturing certificate for domestically-manufactured surgical robots;

In October 2023, the first domestically-manufactured Da Vinci Xi Surgical Robot was officially applied, realizing the mission of "Made in China, Joint R&D and Global Distribution".

At the same time, the "Da Vinci China Tour" organized by Intuitive Fosun covered 57 cities in 22 provincial administrative regions of China in 2023, and carried out Da Vinci Surgical Robot trial activities in 80 hospitals. A total of more than 3,500 medical care personnels experienced the innovative technology of Da Vinci Surgical Robot. The robot was shown to and recognized by more hospital administrators, doctors and patients, and benefited more patients.

2. Product Responsibility

Serving patients worldwide and helping developing countries in building public health capacity

We stay rooted in China and extend presence globally. The Group is committed to providing high quality medical care solutions to patients worldwide and actively expanding business in emerging markets, including Africa, India and Southeast Asia, so as to continuously enhance the accessibility of medicines in developing countries. As at the end of the Reporting Period, the Group had established 5 regional distribution centers in emerging markets such as Africa, with an overseas commercialization team of approximately 1,000 people, making every effort to enhance the accessibility of medicines. Southeast Asia is a key emerging market region for expansion of the Group. We will develop the pharmaceutical market in this region, especially in ASEAN (Association of Southeast Asian Nations) countries, through various business models such as BD and agency cooperation.

2. Product Responsibility

Case: Innovative development of "Artemisinin" continued to enhance malaria prevention and treatment capability in Africa

As a leading global R&D and production enterprise of anti-malaria drugs, anti-malaria drugs produced under the R&D and innovation of the Group cover malaria prevention, general malaria treatment and severe malaria treatment. A total of 33 products in the anti-malaria series were approved by WHO PQ (i.e. WHO Pre-qualification), which have made significant contribution to malaria prevention and treatment in countries and regions such as Africa.

In 2010, Artesun®, an artesunate injection independently developed and manufactured by the Group, was approved by WHO PQ. Since 2011, it has been recommended by WHO as a first-line drug for the treatment of severe malaria in children and adults. At the same time, the Group is also a supplier of anti-malaria drugs of the Global Fund, UNICEF, WHO and African governments. By the end of 2023, Artesun® (artesunate for injection) has saved more than 68 million patients with severe malaria globally, and the number of children in Africa who have used oral malaria prophylaxis has reached 258 million.

Meanwhile, the Group went deep into the remote areas of African villages and meet the needs of clinicians through continuous innovation. Through process optimization, the Group independently developed and launched the second generation of artesunate injection (trade name: Argesun®), which is the first single-solvent artesunate injection approved by WHO PQ in the world. The preparation time of the drug was reduced from 3 minutes to 1 minute, which can save the time for treating patients with severe malaria. Meanwhile, the concentration of Argesun® was standardized for intravenous and intramuscular injections, which makes it more convenient and safer for clinical purposes.

Artemisinin medicines developed with China's scientific research efforts have become a ticket for China's innovative medicines to go global. According to the WHO World Malaria Report 2023, globally in 2022, there were an estimated 249 million malaria cases and 608,000 malaria deaths. Sub-Saharan Africa accounted for more than 95% of the global malaria cases and deaths. Globally, an estimated 11.7 million malaria deaths were averted in the period 2000-2022. Among them, the average malaria mortality rate (number of deaths per 100,000 population at risk) in Africa decreased from 0.14% per 100,000 population to 0.055%, from 142.6 per 100,000 population in 2020 to 55.5 in 2022. The widespread use of artemisinin medicines is one of the key success factors. Several global multi-center phase III clinical studies and real-world data have shown that artesunate injection is effective in reducing malaria mortality rate.

In addition to continuous innovation, donation and supply of malaria prevention and treatment drugs, the Group actively cooperated with African countries in healthcare issues such as malaria prevention and control, contributing to the improvement of the global public healthcare system and the building of a human healthcare system.

Since 2006, the Group has been actively cooperating with the Chinese government in the fight against malaria in Africa, and has been organizing malaria prevention and control workshops for African health authorities to enhance the local malaria prevention and control capacity in Africa. Since 2014, the Group, together with experts in the field of malaria prevention and treatment, has launched more than 20 "eCME Multimedia Online Medical Training" programs in regard to different topics to enhance the professional knowledge of local medical personnel and local healthcare standards in Africa.

As at the end of the Reporting Period, the eCME program had covered nearly 10 African countries, including Kenya, Tanzania, Uganda, Malawi, Zambia, Ghana, Cote d'Ivoire and Burkina Faso. On 12 October 2023, a symposium on "Creating a New Era in the Treatment of Severe Malaria", jointly organized by the Group and the Department of Health of the Executive Council of the City of Kisumu, Kenya, was held in Kisumu, Kenya. A number of authoritative experts, including Dr. Kibor Keitany, Head of the National Malaria Prevention and Control Program of the Ministry of Health of Kenya, Professor Arjen Dondorp, Professor of the Mahidol Oxford Tropical Medicine Research Unit at the University of Oxford and Professor Gilbert Onyango Kokwaro, Strathmore University, Kenya, delivered speeches and introduced the global trend of severe malaria in recent years, especially in Africa, as well as the latest drugs and clinical management programs to more than 30 malaria technical officers from African countries and 120 frontline healthcare workers from Kisumu, Kenya, as well as more than 50 malaria control and treatment specialists and clinicians online from 6 malaria-endemic African countries.

In addition, the Group, in collaboration with the National Malaria Control Program in Africa, continued to carry out the "Promoting Malaria Prevention Knowledge among Children Program" in 14 malaria-prone countries in Africa, targeting at the community level, in order to raise the awareness of malaria prevention among the local population in Africa, and to help reduce the incidence rate of malaria and interrupt the transmission of malaria in the community.

2. Product Responsibility

Case: Promoting the production of local medicines and providing free medical aid to enhance the medical and healthcare capabilities of developing countries

To achieve localized pharmaceutical manufacturing and supply in Africa and to enhance the accessibility and affordability of pharmaceutical and healthcare products in the African region, the Group's Cote d'Ivoire park project was initiated in November 2022. The project is planned to be carried out in three phases, with the first phase expected to be completed in 2024. Upon completion of the project, the production capacity of the park will be expanded to 5 billion tablets per year and include a warehouse with a storage capacity of 10,000 pallets, which is expected to bring nearly 1,000 job opportunities to the Greater Bassam area and effectively promote the development of the pharmaceutical industry in Cote d'Ivoire. In June 2023, the International Finance Corporation (IFC) announced the provision of two loans totaling EUR50 million to Fosun Pharma's subsidiaries in order to support the establishment of pharmaceutical production facilities and distribution centers in Cote d'Ivoire, which will jointly enhance the accessibility and affordability of high-quality pharmaceutical products in the West African region.

In terms of medical assistance in developing countries, Fosun Pharma supports the "Cataract Blindness Elimination Project" organized by the Hong Kong GX Foundation, an international medical humanitarian aid organization. Since 2022, Fosun Pharma has donated RMB5 million annually to GX Foundation and for three consecutive years provides free surgical assistance to poor cataract patients in developing countries along the "One Belt and One Road". Cataract is the world's leading blinding eye disease. Many patients in developing countries lose their eyesight due to lack of timely and effective treatment restricted by economic and medical conditions.

Following the launch of the program in Laos and Cambodia in 2022, we organized and dispatched ophthalmologists from China in 2023 to provide surgical assistance in Gibraltar in East Africa and Mauritania and Senegal in West Africa. As of March 2024, 18 batches of ophthalmology medical teams totaling more than 130 persons have been dispatched, which completed more than 10,000 cataract surgeries and improved the medical and healthcare standards of developing countries.

Fair pricing of drugs

Adhering to the mission of "Better Health for Families Worldwide", we are committed to providing quality medicines at reasonable prices to patients. On the basis of our existing practice, we issued the "Fair Pricing Policy of Shanghai Fosun Pharmaceutical (Group) Co., Ltd." in 2022 and continued to promote the innovative development of the pharmaceutical industry to benefit patients and customers. We are committed to following the WHO definition of "fair pricing", which is a value-based pricing, while taking into full consideration of factors such as the level of economic development of each region, patients' needs and affordability. We adopt different product structures and pricing strategies for markets in different country to ensure that the pricing of the Group's products are priced to reflect value to patients, the healthcare system and the local community as a whole.

Pricing Considerations

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

2. Product Responsibility

Case: Significant increase in accessibility as 3 new drugs entering the Medical Insurance Drug Catalogue

On 13 December 2023, the National Healthcare Security Administration announced the adjustment results of the National Medical Insurance Drug Catalogue, which became effective in January 2024. 3 of the Group's domestically-manufactured new drugs were included in the new version of National Medical Insurance Drug Catalogue for the first time, including Bei Wen® (keverprazan hydrochloride tablets), the first potassium ion competitive acid blocker (P-CAB) independently developed in China, Pei Jin® (telpegfilgrastim injection), a long-lasting recombinant human granulocyte colony-stimulating factor product with independent intellectual property rights, and Yi Xin Tan® (sacubitril valsartan sodium tablets), a first-line drug for the treatment of heart failure and hypertension in an innovative crystalline form. This will significantly improve the accessibility of medicines for relevant diseases in China, effectively reduce the burden of medication on patients, and enable more patients to improve their survival rate and quality of life through standardized treatment.

Promoting rational use of medicines

Due to the rapid development of the pharmaceutical industry and the abuse of antibiotics, antimicrobial resistance has become a medical problem in countries around the globe. WHO has declared it as one of the major public health threats to humanity in the 21st century. An increasing number of diseases are becoming more difficult to treat due to a decline in the effectiveness of antibiotics used to treat diseases. The market for multidrug-resistant antibiotics has increased as aging increases and herd immunity declines in the post-pandemic era.

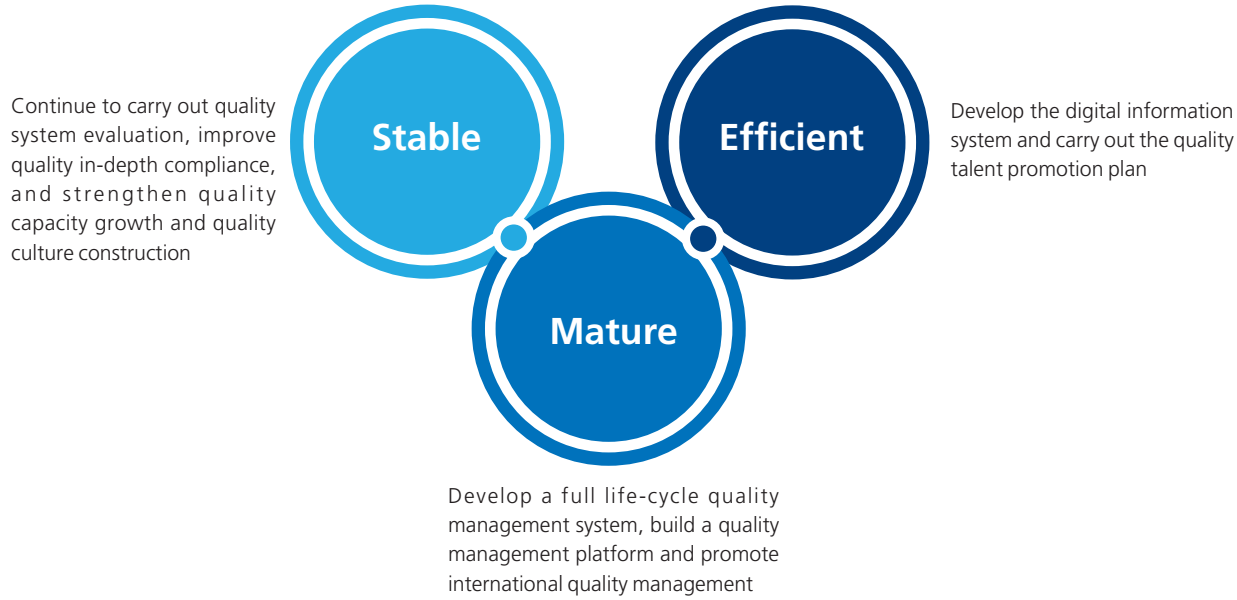
In order to curb the serious harm of antibiotic resistance to medical progress, the Group pays close attention to and calls for the scientific and prudent use of antibiotics, and abides by the management measures such as Administrative Measures for the Clinical Application of Antimicrobial Drugs and Notice on Further Strengthening the Management of Antimicrobial Drugs to Contain Drug Resistance continues to strengthen the management of prescription drugs, and actively promotes R&D in the field of antibiotics to deal with drug resistance.

As of the end of the Reporting Period, the Group had a total of 2 innovative drug products under the antibiotic resistance category under research and development: (1) novel monocyclic β-lactam antibiotic SZEY-2018, a small-molecule innovative drug independently developed by the Group, which is intended to be mainly used for the clinical treatment of Carbapenem Resistant Enterobacteriaceae (CRE) infection with limited options, which is currently in Phase I clinical trial; (2) OP0595, a small molecule innovative β-lactamase inhibitor developed by Fobeni, a subsidiary, in collaboration with Meiji Seika Pharma Co., Ltd. for the treatment of Carbapenem Resistant Enterobacteriaceae (CRE) infections, which is approved for Phase I and III clinical trials.

2. Product Responsibility

2.2 Quality Management

As a healthcare industry group focusing on pharmaceutical manufacturing and R&D, the Group regards quality as the lifeline of the enterprise and ensures that the quality policy of "Respect for Life, Focus on Quality, Commitment to Perfection, and Pursuit of Excellence" is implemented throughout the entire life cycle of products. We have formulated a five-year (2021-2025) quality strategy that is stable, mature and efficient, and we are committed to building a "quality operation system with domestic leading advantages, in compliance with mainstream international regulations, and with international competitiveness".



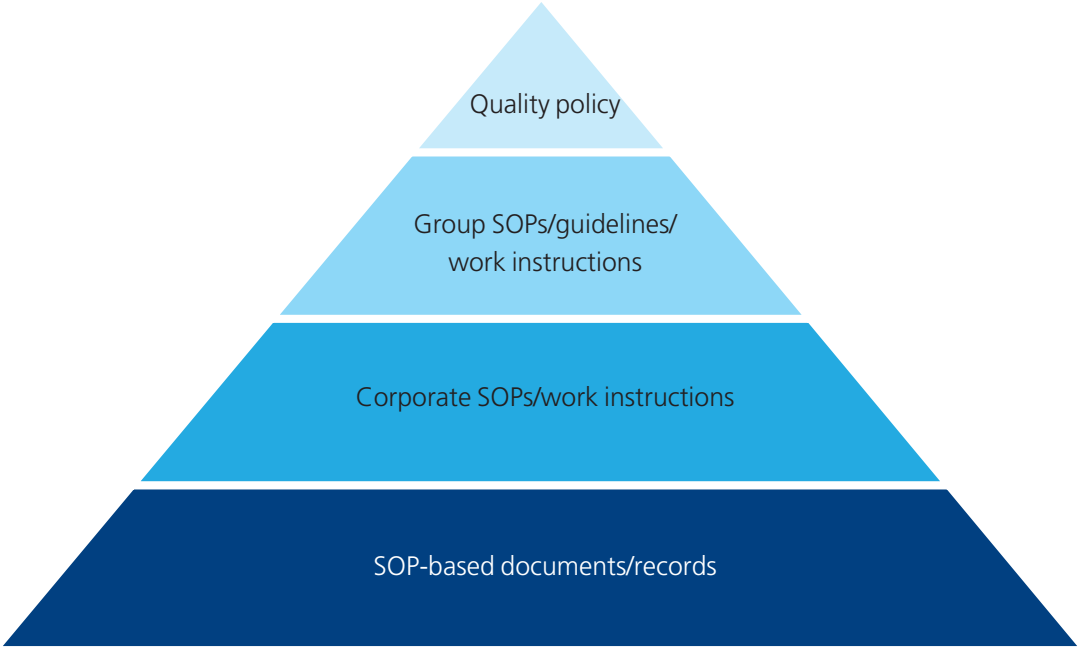
5-year quality strategy

2. Product Responsibility

2.2.1 Quality Management System

In accordance with the Good Manufacturing Practice for Drugs (2010 Revision), WHO and ICHQ9 (Guidelines for Quality Risk Management of the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use), we have established a lifecycle quality control system covering the stages including raw material procurement, production, and storage of finished products to ensure safety and control of product quality.

In order to better promote daily quality control, the duty of quality control were split into different levels to further ensure the effectiveness of the quality control system.



Four-level quality system structure system

As at the end of the Reporting Period, the Group had issued a total of 19 GMP technical guides and the process of key quality elements is becoming increasingly standardized. The Group continued to follow the pace of updating domestic and international regulations and continued to provide technical support for the quality improvement of subsidiaries, to promote the construction and management of quality system with a global perspective and level.

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

2. Product Responsibility

Quality certification and inspection	Quality certification compliance of subsidiaries in the pharmaceuticals sector as at the end of the Reporting Period
Compliance with China's GMP	All subsidiaries in the pharmaceutical sector with production sites in Chinese mainland met the requirements of GMP 2010, with a quality management system coverage rate of 100%. A number of the subsidiaries have obtained quality certificates for overseas regulated markets
	90 sterile preparation production lines, 31 oral preparation production lines and 81 APIs have passed China's GMP inspection The GMP official certification rate of the pharmaceutical commercial production line has reached 100%
Compliance with overseas GMP	As at the end of the Reporting Period, a total of 9 production lines and related APIs have passed the GMP compliance inspections in mainstream overseas regulatory markets, including: 2 sterile preparation production lines, 2 oral preparation production lines and 11 APIs have passed the US FDA GMP compliance inspection 3 sterile preparation production lines and 4 APIs have passed the EU GMP compliance inspection 6 APIs have passed the Japan PMDA (Pharmaceuticals and Medical Devices Agency) GMP compliance inspection 1 oral solid preparation production line, 6 APIs and 3 injection production lines have passed the WHO GMP compliance inspection 2 APIs and 2 sterile preparation production lines have passed the Brazilian Health Regulatory Agency GMP compliance inspection 3 APIs have passed the Australian Therapeutic Goods Administration GMP compliance inspection 1 sterile preparation production lines has passed the Indonesian Food and Drug Authority GMP compliance inspection The GMP official certification rate of pharmaceutical production lines sold overseas has reached 100%
ISO quality management system certification	5 subsidiaries in the pharmaceutical sector have passed ISO 9001:2015 certification 1 subsidiary in the pharmaceutical sector has passed ISO/IEC 17025 certification The passing rate of ISO certification for subsidiaries in the pharmaceutical sector is 37%
Official quality inspection	Subsidiaries in the pharmaceutical sector received a total of 111 official inspections and official sample tests on more than 687 batches, all of which were passed

2. Product Responsibility

Item	Quality certification compliance of subsidiaries in the medical devices sector as at the end of the Reporting Period
Compliance with management regulations	All manufacturing subsidiaries in the medical devices sector complied with the new version of the "Quality Management Practice for Manufacturing of Medical Devices"
ISO quality management system certification	8 subsidiaries in the medical devices sector have passed ISO13485:2016 certification 1 subsidiary in the medical devices sector has passed ISO 9001:2015 certification Approximately 72% of medical devices subsidiaries received ISO certification
Other international certification	Multiple products of 4 subsidiaries in the medical devices sector have passed CE (Conformite Europeenne) product certification
Official inspection	12 domestic medical device subsidiaries received a total of 37 official inspections, all of which were passed smoothly

Case: Establishing a quality control system for mRNA COVID-19 vaccines

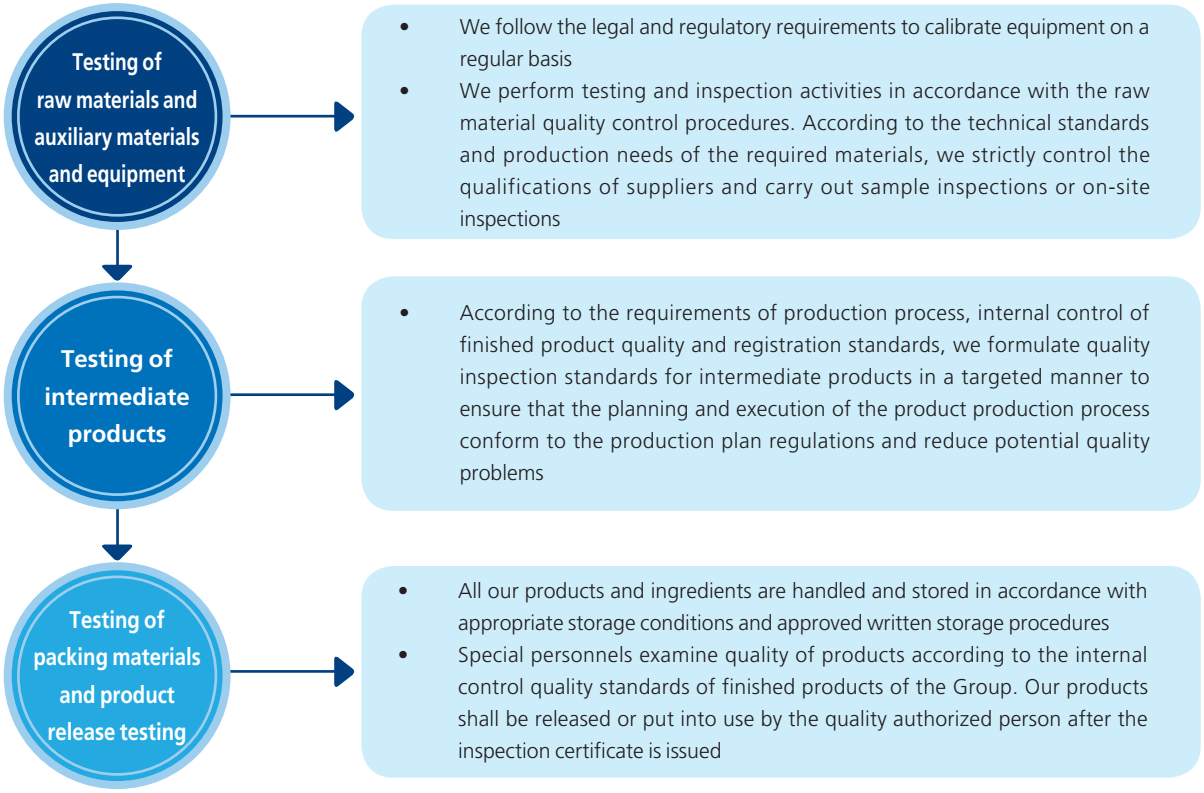
In 2023, as the entity for the commercialization of mRNA COVID-19 vaccines in the Greater China and in compliance with the regulatory requirements such as the Drug Administration Law of the People's Republic of China and the Vaccine Administration Law of the People's Republic of China and market regulations of the Hong Kong, Macau and Taiwan region, Fosun Pharmaceutical Industrial continuously conducted quality control for the supply of emergency use authorization (EUA) of mRNA vaccines in Hong Kong, Macau and Taiwan region and the official registration of the marketed products. In addition, it provided support for the quality work related to the commercialization of new Omicron Bivalent mRNA vaccine types for children and infants, and provided complete and quality data to governments to effectively ensure the release of each batch based on the fully established operational quality management system.

2.2.2 Quality Testing Capability

Quality testing is a top priority for pharmaceutical companies, which is not only related to the safety and efficacy of the products, but also a pharmaceutical company's adherence to its social responsibilities. The Group has established a comprehensive quality testing and monitoring system to ensure the quality and stability of our products through laboratory monitoring and accurate measurement throughout the production process.

We conduct regular precautionary testing on all our products and services, including testing of raw and auxiliary materials, intermediate process testing, procedure control and certification, product release testing and stability testing of biological products, in order to identify and eliminate potential quality and safety issues in a timely manner. All subsidiaries in the pharmaceutical sector have internal quality control laboratories and have formulated corporate internal control standards based on the requirements of the pharmacopoeias of the target markets (e.g. ChP, USP, EP), registration standards approved by the local regulatory authorities, industry standards (e.g. GB, ISO), and in conjunction with the characteristics of the product processes, which cover the key quality attributes of all products. For emerging quality issues that are not yet listed in national and industry standards, the Group have collaborated with a number of peer companies to formulate joint testing standards. At the same time, 15% of our subsidiaries have obtained CNAS (China National Accreditation Service for Conformity Assessment) accreditation for their quality control laboratories. Testing conducted by the laboratory of the subsidiaries covers 100% of the products manufactured by the Company, while testing of products manufactured by third parties are conducted by such third parties. For testing results that exceed the standards, we have formulated the "Technical Guide for Laboratory Test Results Exceeding Standards" to clarify the inspection process and handle batches that are confirmed to exceed standards after inspection.

2. Product Responsibility



Full life-cycle product quality inspections

In 2023, the Group continuously deepened the transformation and implementation of the digitalization of quality control, and enhanced the coverage of various digitalized systems in our subsidiaries, such as LIMS (Laboratory Information Management System), ELN (Electronic Laboratory Notebook), DMS (Document Management System), TMS (Training Management System) and QMS (Quality Management System). The Group actively explored the application of automated robots and artificial intelligence technologies in various R&D and production scenarios. The Group adopted a lean and digitalized strategy to ensure the continuous quality improvement of our pharmaceutical products while reducing cost, increasing efficiency and eliminating wastage.

According to the guidelines of the Group's "Intelligent Manufacturing Technology Guide", a number of key digitization projects have been implemented and launched in various subsidiaries, such as the completion of the launch of the LIMS/ELN laboratory management and electronic experiment record system in two companies and the commencement of two new projects. Through internal and external cooperation, the Group has established digitalized self-development capability and developed applications such as laboratory scheduling system, PV data system and instrument and equipment management system, which effectively reduced the cost pressure of digitalization.

2. Product Responsibility

2.2.3 Quality Audit

The Group conducts quality audits for its subsidiaries annually in accordance with the quality requirements of international standards, which has taken into consideration the quality system, production, documentation, materials, laboratory control and equipment and facilities, so as to comprehensively enhance and assess the quality system throughout the life cycle of pharmaceutical products, strictly control quality risks, and identify and rectify defects of the quality management in a timely manner. This ensures the production of high standard pharmaceutical products in compliance with international and domestic GMP conditions to satisfy patients' needs. During the Reporting Period, the Group conducted a total of 9 GMP audits and quality system evaluations of subsidiaries in the pharmaceutical manufacturing segment.

In 2023, subsidiaries in the medical devices segment formulated and implemented corporate internal audit scheme in accordance with the "Quality Management Practice for Manufacturing of Medical Devices" and ISO 13485:2016, and completed a total of 4 quality audits, 2 system surveys and 4 regulatory studies on subsidiaries in the medical devices segment. In 2023, the medical diagnosis segment conducted 3 cross-audits on internal quality control system in its production bases in accordance with the regulatory requirements of the "Quality Management Practice for Manufacturing of Medical Devices", the "Quality Management Practice for Manufacturing of Medical Devices and Appendix In Vitro Diagnostic Reagents" and ISO 13485:2016. The results of the audits were all excellent.

Meanwhile, the Group conducts regular audits on suppliers through qualification audits, document audits and on-site audits, and implements targeted and continuous quality control measures.

2.2.4 Quality Culture

The Group always adheres to the building and promotion of quality culture. Through continuous quality management month activities, the Group ensures all of its employees deeply study the laws and regulations on quality, thus strengthening the awareness of employees on quality risks and creating a positive quality culture atmosphere.

Case: Quality and safety training

In order to deepen the promotion of quality culture concept, the Group organizes product quality and safety training for all employees every year. During the Reporting Period, we have launched the special training of "Focusing on Both Quality and Safety, Compliance and Efficiency — Compliance Requirements on Drug Warning in Pharmaceutical Manufacturing Industry", which helped employees to build quality awareness, strengthened their sensitivity on behaviors that might affect quality, and promoted the continuous improvement in product and service quality level.

2. Product Responsibility

On the basis of quality culture building, we also conduct special quality trainings for different business segments so as to further standardize the production operations of employees and enhance their awareness on quality. During the Reporting Period, the quality-related trainings conducted by the Group in the Quality Month Campaign covered all business personnel in relation to quality operations. We update and deliver our quality requirements for suppliers annually, aiming to enhance the awareness and capability of suppliers on quality management.

In response to the laws and regulations promulgated in 2023, headquarters of Fosun Pharma and its subsidiaries proactively organize a comprehensive learning program for quality regulations, vigorously promote the ability of quality management staff, improve regulation and policy sensitivity, and identify and evaluate regulatory risk to ensure that the Company operates in a compliant and stable manner. In 2023, the Group invited Dr. Gao Guang, the chief quality consultant, to carry out training on Strategy for Facing FDA Inspection within the Group to focus on FDA audits, so as to improve subsidiaries' inspection experience and international certification capabilities.

In 2023, subsidiaries in the pharmaceutical manufacturing segment formulated and implemented training plans regarding quality laws and regulations, skills for positions, procedure requirements and other aspects based on the GMP requirements. The annual average quality training hours per employee exceeded 87 hours, representing a year-on-year increase of approximately 8.75% as compared to 2022.

Quality Training of Major Pharmaceutical Subsidiaries in 2023

Unit: Hours

Item	Wanbang Pharma	Yao Pharma	Guilin Pharma	Avanc Pharma	Suzhou Erye	Red Flag Pharma	Fosun Aleph	Shanghai Henlius
Average training time per employee	96.63	56.78	96.28	35.45	56.92	64.54	123.04	160.56

In 2023, the annual average training hours per employee of subsidiaries in the medical devices segment reached 13.80 hours. The annual average quality training hours per employee in the medical diagnosis segment exceeded 6 hours, and the training coverage of core quality personnel was 100%.

Case: The fifth Quality Management Month Campaign

In September to November 2023, the Group conducted the fifth Quality Management Month campaign, covering all subsidiaries in the pharmaceutical manufacturing segment. The campaign aims to enhance the quality risk awareness of all employees, facilitate improvement in quality management in line with trends, and promote continuous innovation and improvement. The Quality Management Month campaign included opening ceremony, publishing of campaign posters, display of different corporate quality culture slogans, as well as the quality forums, "Cloud" factory visit conducted by the Group and various quality culture activities independently initiated by subsidiaries. During the Quality Management Month, various subsidiaries conducted excellent quality culture promotion activities, such as quality quiz for all employees, special quality forum, election of Star of Quality and others, boosting the enthusiasm of employees in joining thanks to the novel mode of these activities.

2. Product Responsibility

2.2.5 Management of lean operations

In 2023, Fosun Pharma established the FES Committee to improve the management of its operations. At the same time, we continuously promoted Fosun Pharma Operation Excellence (FOPEX) in our subsidiaries to improve the enterprise management level and the operational efficiency of enterprises. The project utilized the PMO management platform to achieve online project management and further promote the digital transformation of enterprises. In 2023, there were 550 new FOPEX Projects, including quality, cost, efficiency, cycle time and R&D. As at the end of the Reporting Period, a total of 443 projects had been completed with annual income of approximately RMB180 million.

Case: Yao Pharma optimized its production process with a cost reduction of over 50%

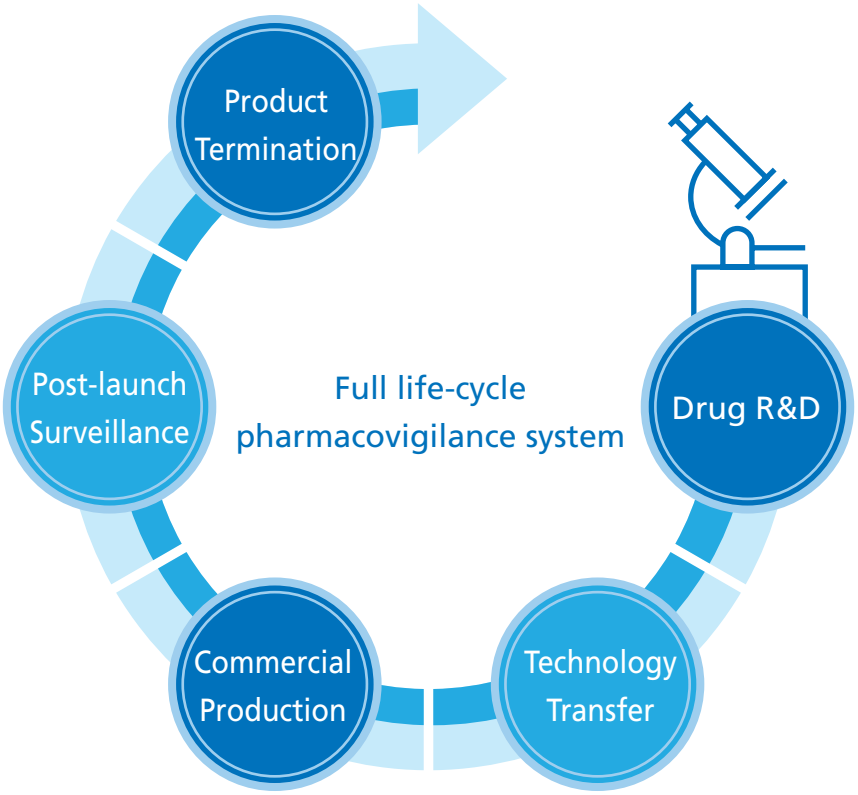
Yao Pharma, a subsidiary, finally achieved self-sufficiency of the intermediate MPA-V through the process development and industrialization of the highly difficult intermediate, thus greatly reducing the risk of outsourcing. This self-developed process featured original technological innovation, making the process more eco-friendly and better for the environment, and greatly improving the conversion rate and yield of the production process, with an overall cost reduction of more than 50%, and superior product quality.

2.3 Pharmacovigilance and Recall

2.3.1 Pharmacovigilance

The Group strictly abides by the related laws and regulations such as the Drug Administration Law of the People's Republic of China and the Specifications for Pharmacovigilance Quality Management. It has deployed pharmacovigilance management covering the full product life cycle and built a relatively comprehensive pharmacovigilance system to ensure compliance with legal requirements in drug development, production and distribution. We have formulated a complete set of internal process systems such as standard operating procedures including the Receipt, Follow-up and Handling of Individual Drug Safety Reports, the Preparation and Submission of Regular Safety Update Reports, the Pharmacovigilance Training Procedures, the Preparation and Submission of Risk Management Plans, the Documentation and Storage of Information Related to Pharmacovigilance Activities, the Management of Pharmacovigilance Annual Reports of the Holders, and the Pharmacovigilance Business Continuity Plan, which cover the safety monitoring of the full product life cycle from the clinical trial stage to post-launch to guarantee the effective operation of the pharmacovigilance system. The Group has deployed an advanced global pharmacovigilance system to manage pharmacovigilance-related data to safeguard the safety of medications for patients.

2. Product Responsibility



Full life-cycle pharmacovigilance system

During the Reporting Period, the Group further improved its pharmacovigilance operations, pharmacovigilance scientific support and pharmacovigilance compliance and education-related functions in terms of quality system construction, process and system construction, pharmacovigilance data management system construction, safety reporting management, signaling and risk management, and external cooperation and exchange.

For pharmacovigilance quality system construction, the Group has developed a commissioned manufacturing model for marketed drugs, and maintained and monitored the safety and quality of products sold by the Group and through third-party cooperation through its comprehensive marketing authorization holder (MAH) management system and regime. In order to improve the quality of healthcare services, we control the risks in healthcare services, strengthen the drug access mechanism to prevent substandard drugs from being marketed, and promptly identify and deal with products sold without authorization. During the Reporting Period, the Group implemented the regular pharmacovigilance communication mechanism and the monthly pharmacovigilance reporting mechanism, the mechanism for regular delivery of Pharmacovigilance Newsletters, the pharmacovigilance field investigation and pharmacovigilance training course mechanism. It transmitted regulations and relevant requirements on internal pharmacovigilance of the Group in a timely manner through a series of measures, and provided training and sharing of professional knowledge.

For pharmacovigilance process and system construction, the Group issued new process documents such as the Patient Safety Management Team Charter and Working Guidelines, Writing Guidelines for Risk Control Plans, Guidelines for Pharmacovigilance-Related Due Diligence, Working Guidelines for Safety Update Report Writing During Research and Development, and Working Guidelines for Safety Document Writing During New Drug Application in 2023, which enabled pharmacovigilance workflows to continuously improve, and work specifications to be refined, thereby integrating high quality and standards into all aspects of daily pharmacovigilance practice, and continuously strengthening cooperation with other functional departments.

2. Product Responsibility

For pharmacovigilance data management system construction, we strengthened the deployment, setup and training of the advanced global pharmacovigilance system ArisG at the group level. The procedure for using the ArisG system was constantly being optimized based on business, expanding the regularity and usability of data export, promoting the application of digitalization and automation in PV (pharmacovigilance) data processing and improving the efficiency of pharmacovigilance work to a certain extent.

For safety reporting management, the Group collects information on adverse drug reactions in a comprehensive and timely manner in accordance with the national requirements. During the Reporting Period, the pharmacovigilance team dealt with over 5,200 reports on safety during clinical trials, and over 41,000 reports on post-launch safety of individual drugs in accordance with the regulations such as the Quality Management Standards for Drug Clinical Trials, the Standards and Procedure for Rapid Reporting of Safety Data during Drug Clinical Trials, the Quality Management Standards for Pharmacovigilance, and the Guiding Principles for the Collection and Reporting of Adverse Reactions to Individual Drugs issued by the NMPA, and reported to the Center for Drug Evaluation of NMPA or the National Center for ADR Monitoring with the reporting pass rate of 100%. Meanwhile, we strengthened training and expanded the proportion of report of self-collected adverse drug reactions. During the Reporting Period, there were no group adverse reactions events or deaths caused by drugs with quality defects, and no deaths or group adverse events occurred in the medical devices and medical diagnosis segment.

For signaling and risk management, the Group has established relevant processes for signal detection, evaluation and risk management, and set up a drug safety committee responsible for analyzing, evaluating and identifying risks related to product safety and assessing the risks and benefits of products. If identified risks are found, corresponding risk control measures will be taken based on the risk characteristics to minimize the risks and potential impacts and to protect the safety of medications for patients.

For external cooperation and exchange, the Group continuously strengthened its pharmacovigilance cooperation with domestic and foreign business partners, signed pharmacovigilance agreements that had complied with domestic and international regulations, and passed all due diligence and audits on pharmacovigilance undertaken during the Reporting Period. The Group also strictly controlled the safety of imported products to ensure compliance and quality of all relevant pharmacovigilance work.

During the Reporting Period, the Group provided strong support for pharmacovigilance in developing countries in Africa for more than a dozen products including "artesunate for injection". It took on the role of the local qualified person for pharmacovigilance (QPPV) for the relevant products, and took the lead in the post-launch pharmacovigilance for a number of products in developing countries in Africa in accordance with the highest quality standards of pharmacovigilance of the European Medicines Agency (EMA). It supported the registration application of a number of products in developing countries, thereby further enhancing the capacity of pharmacovigilance in developing countries, and contributing to the Group's anti-malarial projects in Africa. In addition, we continued to complete the pharmacovigilance of key products such as Han Qu You (trastuzumab injection), Han Li Kang (rituximab injection), Su Ke Xin (avatrombopag maleate tablets), Han Si Zhuang (serplulimab injection), Yi Kai Da (ejilunsai injection), Akynzeo (netupitant and palonosetron hydrochloride capsules), Aloxi (palonosetron hydrochloride injection), and Otezla (apremilast tablets) in Chinese mainland, and the pharmacovigilance of the products such as Comirnaty (mRNA vaccine), Aloxi (palonosetron hydrochloride capsules/injection), Akynzeo (fosnetupitant/palonosetron injection/netupitant and palonosetron hydrochloride capsules), pretomanid tablets, and Wan Ti Wei (tenapanor tablets) in Hong Kong and Macau with high quality and standard.

2.3.2 Product Recall

In compliance with the Administrative Measures for Drug Recalls, the Law of the People's Republic of China on Drug Administration, the Law of the People's Republic of China on Vaccine Administration, the Regulations on the Implementation of the Law of the People's Republic of China on Drug Administration, the Special Provisions of the State Council on Strengthening the Supervision and Administration of Food and Other Products Safety and other relevant laws and regulations, the Group has formulated the Product Recall Management Procedures, which specified the standard operating procedures and division of responsibilities for drug recalls such that a prompt and accurate drug recall can be launched when necessary. Besides, the Group has established a comprehensive drug traceability system to ensure the traceability of every batch of drugs. Once a defective product is identified, we will quickly initiate the recall procedure, and conduct in-depth investigation and evaluation, aiming to maximize the protection of consumers' interests.

In order to attain an effective and responsive recall system, the Group conducts simulated drug recall drills. During the Reporting Period, the Group conducted a total of 7 simulated recall drills. By conducting simulated recall drills, companies can verify the effectiveness of the existing recall mechanism on a systematic basis, and make rectifications and improvements on the issues identified during the drills. During the Reporting Period, the Group did not conduct any product recall.

2.4 Customer Responsibility

The Group's mission is to achieve "Better Health for Families Worldwide". In addition to providing high-quality products and services for customers, we are also committed to delivering real and valid information to customers and opening up communication channels, so that we can maintain a sound relationship building upon mutual trust, take and look into customer feedback in a timely manner, and continue to improve our products and services.

2.4.1 Responsible Marketing

Launching responsible marketing activities is an important initiative taken by the Group to safeguard the rights and interests of customers. To conduct lawful marketing activities, we comply with the Criminal Law of the People's Republic of China, the Anti-unfair Competition Law of the People's Republic of China, the Advertising Law of the People's Republic of China, the Interim Measures for the Administration of Censorship of Advertisements on Drugs, Medical Devices, Dietary Supplements and Formula Foods for Special Medical Purposes, the Measures for the Administration of Medical Advertisements, the Measures for the Examination of Pharmaceutical Products Advertisements, the Notice on Regulating the Use of Drug Names in Drug Advertisements and other laws and regulations, and has issued the Responsible Marketing Policy of the Group, which further regulated the Group's principles with respect to business ethics and responsible marketing, and clearly stipulated that exaggeration, deception and false content are strictly prohibited in marketing, advertising and sales activities.

With reference to the international standards, industry norms and strategic planning requirements of the Group, the Group has established a compliance management system for its domestic marketing platform to give clear and able guidance on compliance marketing for its employees. Based upon establishing a management system, we have further formulated the Code of Conduct for Compliance Policy of the Company, which stipulated our basic code of business conduct and required our employees of the domestic marketing platform to comply with relevant laws, regulations and internal policies, including fair market competition, anti-commercial bribery, avoidance of conflict of interest, environmental protection, personal information protection, as well as financial and tax compliance, so as to provide detailed compliance guidance for marketing-related employees and enable documented and evidence-based marketing activities. The overseas subsidiaries of the Group also abide by the laws and regulations of the places where they operate when carrying out marketing activities. Subsidiaries such as Sisram Medical and Breas conduct training on responsible marketing in induction training for employees and complete at least one training session on compliance/business ethics every year to ensure compliance when pursuing marketing activities.

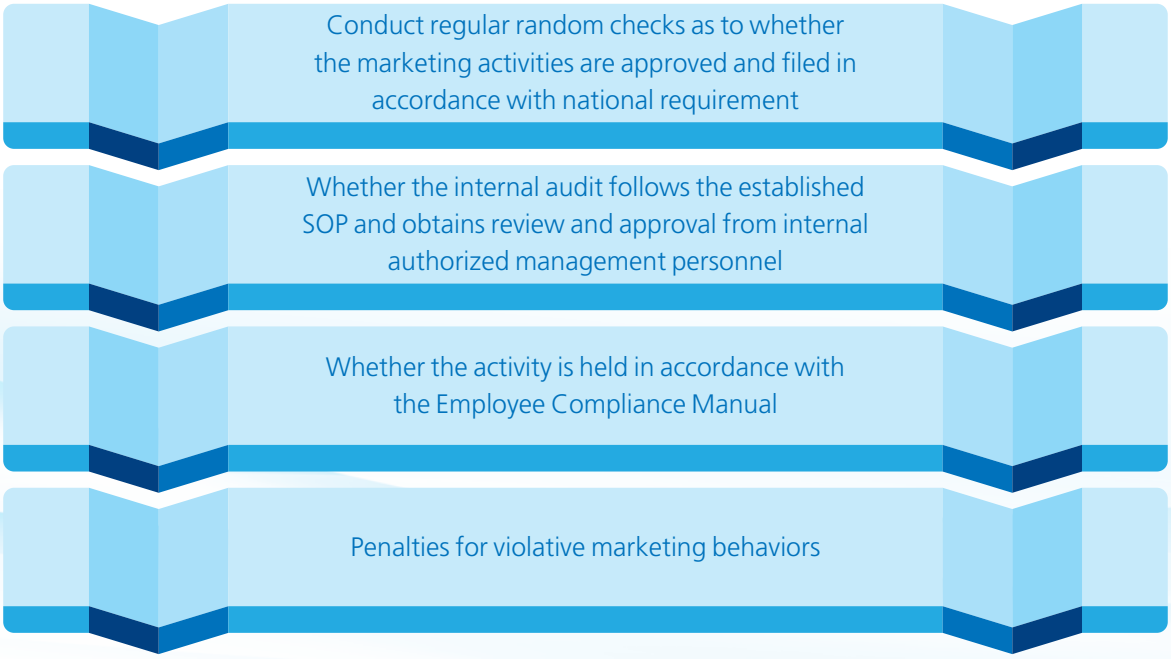
In addition, we have prepared a list of legal compliance risks covering risk points in marketing and promotion, and have formulated corresponding compliance policies and procedures to avert legal compliance risks such as illegal prescription drug advertisements, commercial bribery, misleading advertising and monopoly, in order to ensure the compliance of our marketing activities.

2. Product Responsibility

Compliance Management System of the Domestic Marketing Platform

Reviews and Audits

The Group conducts reviews and audits in pursuit of the compliance of its marketing activities. For external marketing and publicity activities, the Group complies with the national requirements for approval and filing, and reviews relevant materials to guarantee the authenticity and compliance of the promotional content involved in the activities; the use of promotional/non-promotional materials is subject to internal review, and exaggeration, deception and false content are strictly prohibited to ensure the authenticity and compliance of the data and academic opinions; for academic conferences, the Group conducts reviews and approvals for internal authorized management personnel in advance in accordance with the Employee Compliance Manual to ensure that the promotional activities can accurately convey information on the correct use of drugs, and the efficacy of drugs shall not be exaggerated. At the same time, we carry out regular and systematic internal responsible marketing audits, and conduct comprehensive reviews of all academic conference applications, donation applications and materials submitted by business departments, achieving an audit rate of 100%. Any non-compliance in marketing identified during the audit will be taken seriously in accordance with the relevant penalty provisions to ensure that the entire promotion activity is legal and fair. We have also opened up a marketing-related feedback channel to collect opinions and clues to further ensure the compliance of our marketing activities.



Responsible Marketing Audit Process

2. Product Responsibility

Responsible Marketing Training

The Group provides responsible marketing training for all employees every year, covering advertising, marketing, market promotion and other areas. In 2023, we further optimized the form of responsible marketing training and conducted two in-depth training and sharing sessions for all employees on "Sharing of Compliance Dynamics in the Pharmaceutical Industry" and "Introduction to Domestic Marketing Platform Compliance System" during the ESG Culture Month, which helped all employees understand the requirements, regulations and significance of compliance marketing, fully understand the compliance marketing management system of the Group, and enhance the awareness of compliance marketing among employees.

In addition to training for all employees, the Group also further provides responsible marketing training for its marketing employees, management, and relevant employees in areas with high responsible marketing risks. During the Reporting Period, the domestic marketing platform provided 274 compliance training sessions for all marketing employees, which emphasized compliance policies and shared industry policy changes and cases, and also conducted three assessments covering all employees to deepen the understanding of the requirements of responsible marketing among employees. In 2023, the Group also conducted special training on the promotion of commercialized medical insurance drugs, and strengthened publicity and education on medical insurance-related regulations. We launched the "First Compliance Culture Week". By hosting compliance training and knowledge competitions with various themes, as well as making use of sand painting, games and other forms, we organized playful learning activities, and the awareness towards compliance has been ingrained into all employees of the domestic marketing platform. Besides, we also held the "9th Season Compliance Ambassador Growth Training Camp". At this event, we invited experts from the medical insurance industry to give special reports on national medical insurance-related policies and provide in-depth analysis of the latest information about medical insurance funds with a variety of cases. The general manager of the Anti-Corruption Supervision Department of Fosun Pharma also provided special training on integrity to the participants, which greatly benefited the management and employees from various business departments who attended the meeting.

All these efforts are aimed at improving the awareness of external supervision and internal compliance among all employees, and cultivating the qualities, competence and vision on responsible marketing of all employees. The Group will further strive to ensure that all promotional activities will be conducted within a legal, compliant and responsible framework in the future.

Responsible Marketing Training in the ESG Culture Month

2. Product Responsibility

Marketing Compliance Management Supported by Digital Means

During the Reporting Period, in terms of developing a marketing digital system, the Group constructed a marketing customer management system with independent intellectual property rights, and completed the substitution with and transition to a localized and self-developed system. At the same time, while ensuring data security, we employed digital solutions to strengthen the full-process compliance management of marketing activities in our key business segments, including further improving the management of jurisdictions, positions and target terminals in the Customer Relationship Management (CRM) system. Through the behavior management system, we have refined the behavior management of marketing employees and regulated the marketing process to promote sustainable and healthy business development. In terms of digital marketing, we introduced sales data dashboards to our key business segments, enabling comprehensive analysis from multiple dimensions such as products, management organizations, management territory, and target terminals to digitize and visualize the marketing business and provide strong data support for us to roll out marketing plans for related products.

2.4.2 Customer Communication

The subsidiaries of the Group in the pharmaceutical manufacturing segment highly value the reasonable needs of users and continuously strengthen the handling of customer complaints. These subsidiaries set up dedicated personnel for this regard and the complaints hotline can be put through around the clock. They also have built a customer complaint and consulting system. The subsidiaries record complaints to every detail and give a satisfactory reply to customers with thorough explanation after investigation, analysis and responding actions. They also record the batch number of the products in question. The handling of complaints is led by our subsidiaries' quality control department and supported by relevant functional departments. Complaints are replied to and resolved adequately within a prescribed period. Remedial and preventive actions will be implemented to ensure high customer satisfaction. In 2023, the domestic subsidiaries of the Group in the pharmaceutical manufacturing segment received a total of 10 complaints related to product quality, and all of which were replied to and handled with the active efforts of these subsidiaries.

2.4.3 Information Security and Privacy Protection

The Group upholds the bottom lines of data security, privacy protection and legal compliance as always to keep its business activities staying away from the red line. We have developed the Security System Construction Plan covering the Group in accordance with the Cybersecurity Law of the People's Republic of China, the Personal Information Protection Law of the People's Republic of China, and other laws and regulations where we operate.

In order to further strengthen information security management, the Group has established a sound information security management structure. Adhering to the information security policy of "controlling risks with continuous improvement", the structure ensures the achievement of our information security objectives by supervising and evaluating the information security status of the Group, and regards data security and privacy protection as the top priority of information security tasks. The Chief Digital Officer (CDO) of the Group leads the information security team to be responsible for specific implementation, including the development of information security standards and processes, the construction of information security structure, and the monitoring of and response to security incidents. The OA system at the headquarters has obtained Level 3 certification for information security protection, and passed the ISO 27001 accreditation, demonstrating the further improvement in the construction of information security system. During the Reporting Period, no information security incidents occurred in the Group.

2. Product Responsibility

Optimize and improve 120 information security-related systems, processes and standard documents, providing normative guidance for the orderly and effective information security progress, further meeting regulatory compliance requirements and reducing the probability of threats

Engage a third-party security service provider to monitor information security devices and systems of the Group around the clock

Continuously monitor the risks of external exposure and close the loophole to external risks through regular analysis of external exposure areas; equip with the ability to detect encrypted network traffic and identify threat content hidden in encrypted channels, greatly improving the risk identification rate

Conduct regular vulnerability scanning and penetration testing on business systems that contain important data to identify potential or known vulnerabilities and repair them in a timely manner

Deploy and apply encryption and decryption systems and honeypot platforms to consolidate the information security infrastructure and monitor the security status of the information system of the Group in a more comprehensive manner

Provide regular information security awareness training for all employees, such as phishing emails for all employees and information security skills improvement for IT personnel, so as to heighten the alertness to network threats, social engineering attacks and other issues among employees, and ensure active participation of every employee in information security

Information Security Protection Measures of Fosun Pharma Group

In 2023, the Group participated in the "Solid Rock Operation" cybersecurity activities and the "Safeguarding Digital Security" special campaign organized by the Shanghai Communications Administration, and achieved excellent performance in these events, further improving our capabilities in information security management.

2. Product Responsibility

Privacy Protection

Privacy protection is the key for pharmaceutical companies to establish profound trust with patients, partners and all sectors of society. Attaching great importance to the protection of patient privacy, we strictly abide by the Cybersecurity Law of the People's Republic of China, the Data Security Law of the People's Republic of China, the Personal Information Protection Law of the People's Republic of China, the Regulation on Protecting the Security of Critical Information Infrastructure and other laws and regulations, and have issued various systems including the Data Security Management Regulations and the Personal Information Protection and Management Regulations to establish a sound privacy data management system.

In 2023, the Group continued to secure the best protection for customer and personal information:

Transparent privacy policy

- Adhering to the principle of transparency, we have developed and announced a clear and detailed privacy policy to explain to customers how we collect, use and protect their personal information

Legal compliance

- We are committed to full compliance with applicable data privacy regulations and international privacy standards. In 2023, the Group signed standard personal information contracts for personal information processors and overseas recipients in accordance with the Measures on the Standard Contract for Cross-border Transfers of Personal Information

Proactive risk assessment

- We conduct regular privacy risk assessments to identify and assess potential privacy risks and prevent potential privacy threats. In 2023, we have formulated the Privacy Impact Assessment Procedure of Fosun Pharma Group and reported on the assessments on impacts of personal information protection

Data minimization and purpose limitation

- Adhering to the principles of data minimization and purpose limitation as always, we only collect and use the most basic customer information required for our business operations, and ensure the legal and legitimate use of information

Safety technical measures

- We implement advanced security technology measures, including data encryption, network security and access control, so as to ensure the full protection of customer information during transmission and storage

Customer rights protection

- We respect our customers' right to control their personal information, provide them with convenient ways to access and modify their personal information, and ensure that they can exercise their rights to privacy

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

3. Environmental Protection

During the Reporting Period, the Group updated the Environmental Health and Safety (EHS) Policy, which was first issued in 2016. We pledge to uphold the concept of integrity and sustainable development, and adhere to the synchronous and coordinated development of corporate business and environmental protection in order to put an end to environmental pollution, promote energy conservation and emission reduction, protect ecological diversity, and fulfill the corporate social responsibility in environmental protection. In the future, we will continue to increase our investment in energy conservation and emission reduction to help achieve the dual carbon goal.

Facing with the double challenges from internal business changes and stricter external policies, in addition to its existing efforts, the Group decomposes the current EHS objectives, constantly strengthens EHS management and optimizes the management model, actively seeks opportunities for improvement, tries to adopt new equipment and technologies, reinforces EHS risk control, and continuously improves EHS performance, so as to further mitigate the impact of business operations on the environment and provide employees with a healthy and safe working environment.

3.1 Coping with Climate Change

Climate change is a prominent issue under global focus at present. In order to secure effective protection for ecosystems, countries and enterprises around the world need to work together to promote low-carbon transition and slow down global warming, striving to achieve the global temperature rise target set by the Paris Agreement. On 30 November 2023, the 28th session of the Conference of the Parties (COP28) to the United Nations Framework Convention on Climate Change was held in Expo City, Dubai, United Arab Emirates. The Conference made the first global check after the Paris Agreement, corrected the course to climate actions, and called on countries to step away from fossil fuels and realize energy transition.

Enterprises need to take active measures to deal with the risks arising from the increasingly severe climate change and seize development opportunities through rapid transition. As a medical and healthcare industry group committed to social responsibility, the Group actively responds to the Paris Agreement, recognizes the United Arab Emirates Consensus and follows the Chinese government's "dual carbon" strategy to continuously strengthen the management and practice of tackling climate change. With reference to the proposed framework of the Task-Force on Climate Related Financial Disclosure (TCFD), the Group analyzed the risks and opportunities of climate change from four dimensions: governance, strategy, risk management, and metrics and targets.

3.1.1 Governance

The Group attaches great importance to climate-related risks and opportunities, establishes a climate-related governance framework, and incorporates climate risk works into the overall risk management. Under the leadership of the Board, the ESG Committee is responsible for the overall supervision on the matters in relation to climate change, actively works on sustainable development, organizes sustainable development exchange meetings, and discusses the risks and opportunities of climate change. As the executive layer, the ESG Working Group is responsible for the implementation of climate change risk identification, and carries out targeted climate change mitigation and takes relevant measures for adaptation in the course of implementation. In addition, during the Reporting Period, the Group formally established the Carbon Neutrality Committee to step up the efforts in supervising and promoting carbon neutrality, which is responsible for the formulation of carbon emission targets, policies and paths, the implementation of carbon reduction measures, regular evaluation of the achievement of targets and dynamic improvements.

3.1.2 Strategy

To cope with the severe challenges brought about by climate change, the Group has formulated a comprehensive risk management strategy against climate change so as to evaluate the impacts of climate change on operations in terms of risk identification, scenario analysis, risk assessment and strategy formulation, and conduct analyses from two dimensions consisting of physical risks and transition risks. During the Reporting Period, by fully making reference to the TCFD's recommendations under the scenario analysis guide, the Group selected various climate scenarios within the same category of scenario assumptions for risk identification analysis, including the high-contrast identification of RCP2.6 and NZE under Turquoise Scenarios as well as RCP8.5 and STEPS under Brown Scenarios.

Scenario assumption	Climate scenario	Scenario overview
Turquoise 2°C or below scenario	RCP2.6	In order to cope with climate change, various countries will adopt proactive policies and methods to reduce greenhouse gases in the coming 10 years, so that the temperature rise will not exceed 2°C.
	NZE	The International Energy Agency proposed a plan to achieve net zero emissions by 2050, and advised on technology and emission reduction solutions, national cooperation, and energy industry transition. It is expected to limit the rise in global average temperature within 1.5°C.
Brown above 2°C scenario	RCP8.5	It is assumed that the countries will engage in high greenhouse gas emissions and energy consumption under the baseline scenario of no intervention from climate change policies. By 2100, global CO_2 concentration will be 3 to 4 times higher than that before the industrial revolution.
	STEPS	Based on energy-related policies currently implemented and being formulated, an assessment will be conducted across industries and countries to reflect the effectiveness and feasibility of the prevailing policies. The scenario also considers the planned manufacturing capabilities for current clean energy technologies, serving as a reference for energy policy direction.

Based on the analysis of climate change risk scenarios, the Group has conducted a comprehensive analysis and identified a list of related major climate risks with reference to the characteristics of the pharmaceutical industry, policy orientation of the operating locations and geographical characteristics, in order to promote the implementation of climate change risk management throughout the entire value chain of the Group.

Risk category	Major climate change risk	Relevance
Transition risk (Risks related to changes in policies, regulations, technology, and markets, etc.)	Increased pricing of greenhouse gas emissions	In order to limit the temperature rise due to greenhouse gases within 1.5°C, governments around the world have been gradually improving and formulating their carbon trading management systems and supporting carbon pricing policies. It is expected that the overall cost of greenhouse gas emissions will increase in the future, which will indirectly lead to increases in fuel prices and electricity prices, and more industries will be included in the carbon market. The Group may be included in the carbon trading market on a mandatory basis in the future, which will result in an increase in the overall operating costs of the Group.
	Requirements and regulation of the existing products and services	The "14th Five-Year Plan" for the Development of the Pharmaceutical Industry specified the national requirements and guidance for building a green industrial system, improving the level of green manufacturing and implementing carbon emission reduction actions in the pharmaceutical industry. To align with the effective implementation of regulation and policies, the Group will need to enhance its supervision and compliance system in terms of specialization and professionalism in the future, which will lead to an increase in operating costs.
Physical risk (Risks from acute and chronic physical climate change)	Rising average temperatures	Temperature control is critical to pharmaceutical production workshops. Various equipment and facilities are at risk of overheating under high temperatures, and employee health may also be affected. In response to rising temperatures, the Group will need to increase energy consumption to maintain normal temperatures and ensure normal production, which will lead to an increase in operating costs.
	Frequent occurrence of extreme weather	Affected by global warming, various countries suffer from varying degrees of climate instability. In particular, heavy rains, typhoons and other climatic factors may affect operations in coastal areas. In order to adapt to and avert climate change, the Group has invested a certain amount of funds and manpower to respond in advance, which further increased operating costs.

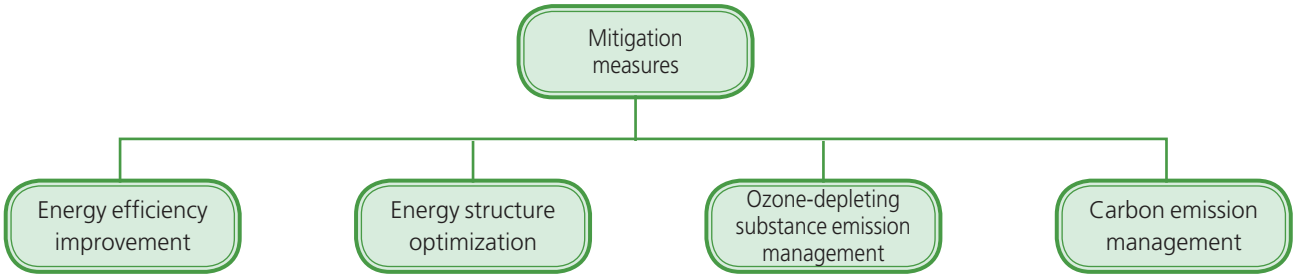
3.1.3 Risk Management

In order to actively respond to the risks of climate change and fundamentally avert the adverse effects of climate change, the Group has developed a risk management assessment framework based on the materiality issues and initiated strategies to adapt to and mitigate climate change.

Mitigation

In order to mitigate climate change, fundamentally reduce greenhouse gas emissions, protect the ozone layer, and control the global temperature rise, the Group has established a path to reduce greenhouse gas emission. Focusing on the key aspects of energy consumption and emissions, the Group reduces greenhouse gas emissions by improving energy efficiency and optimizing energy structure, and protects the ozone layer and ecological environment by limiting the use of ozone-depleting substances. During the Reporting Period, the Group actively pursued technological innovation and reinforced carbon management, and forged ahead on the path to mitigating climate change by making a series of efforts into energy saving and emission reduction including installation of heat energy recovery and reuse facilities and equipment, replacement of equipment with high energy consumption, promotion of using renewable energy, installation of photovoltaic power generation systems, and optimization of administrative management systems.

3. Environmental Protection



Major Actions and Strategies

- Reinforce carbon management and achieve greenhouse gas emission reduction targets
- Improve energy utilization efficiency, adjust energy structure, and promote renewable energy
- Promote facilities and equipment for recycling thermal energy, promote clean energy projects such as photovoltaic power generation systems, promote the administrative system for the green use of energy-consuming equipment, expand the coverage of low-energy-consuming and energy-saving equipment, and optimize and adjust the temperature and humidity in GMP-accredited workshops

Energy Efficiency Improvement

Reducing energy consumption is the core element to achieve carbon reduction goals. The Group improves energy efficiency through a systematic and comprehensive management structure, and invested a total of RMB13.476 million in the implementation of various energy conservation measures throughout the year. During the Reporting Period, the Group saved electricity of 10.56 million kWh, natural gas of 1,090 thousand m^3 and purchased steam of 4,402 tons, which correspondingly reduced carbon emissions by 10,114 tons. The comprehensive energy consumption intensity was 1.878 GJ/RMB10,000 revenue, representing a year-on-year decrease of 1.35%.

Meanwhile, the Group has issued the Notice on Energy Conservation and Emission Reduction of Subsidiaries of Fosun Pharma Group to specify the goals of energy conservation and emission reduction, attach importance to various energy management, and actively explore practical energy conservation and consumption reduction projects. During the Reporting Period, we initiated a series of systematic projects on energy conservation and emission reduction at the group level, including but not limited to establishing energy detection systems, adopting energy-efficient production facilities and equipment such as variable frequency energy-saving water pumps, HECC heat pipes and solar heat exchangers, improving energy efficiency and reducing electricity consumption. We actively encouraged our subsidiaries to participate in:

Optimization of energy efficiency of production equipment	Optimization of energy efficiency of operational facilities	Optimization of energy consumption management
• Comprehensive energy-saving optimization of solid dosage forms • Comprehensive energy-saving optimization of freeze dryers • Energy-saving renovation of workshop vacuum systems • Maintenance and packing replacement	• Air conditioning renovation • Installation of magnetic levitation units • Renovation of refrigeration system of low-temperature ethylene glycol units • Boiler renovation	• Optimization of equipment and facility runtime • Optimization of equipment and facility operation methods • Optimization of system operating parameters • Monitoring and assessment

Energy Efficiency Improvement Projects of Fosun Pharma Group

Summary of the Energy Conservation and Emission Reduction Projects of Certain Subsidiaries in 2023

Name of enterprise/plant	Energy conservation and emission reduction measures			Energy saved	Carbon reduction (ton)
	Application of new technologies and equipment	Optimization of production process and layout	Energy management system		
Yao Pharma (Renhe)	Condensate water reuse, LED lights, photovoltaic power generation	Air conditioning automatic control renovation		Electricity: 920,000 kWh Natural gas: 340,000 m^3	1,261
Yao Pharma (Shuitu)	Photovoltaic power generation	Comprehensive energy-saving optimization of freeze dryers, comprehensive energy consumption optimization of cooling and heating stations, energy saving optimization of air conditioners, warehouse insulation renovation	Light switches energy-saving alerts, energy saving promotion	Electricity: 2,000,000 kWh	1,141
Dongting Pharma	Frequency conversion energy-saving circulating water pumps, energy-saving chillers, compressed air cloud-based intelligent control systems	Optimization of power energy system, automatic control optimization of circulating cooling water for chilled water units		Electricity: 600,000 kWh Natural gas: 100,000 m^3	548
Shinsun Pharma		Optimization of barrel washing process, improvement of comprehensive packaging efficiency	Workshop energy management optimization	Electricity: 90,000 kWh	50
Hexin Pharma		Gas boiler renovation	Refrigeration unit energy management system, energy saving promotion	Electricity: 80,000 kWh Natural gas: 30,000 m^3	100
Jiluohua Pharma	LED lights, condensate water reuse	Frequency conversion operation renovation of secondary chilled water pumps in refrigeration machine room	Adjustment of the opening mode of the air conditioning in the warehouse building	Electricity: 460,000 kWh Purchased steam: 500 tons	426
Guilin Pharma	Magnetic levitation refrigeration units, Trane energy-saving refrigeration units			Electricity: 1,350,000 kWh Natural gas: 360,000 kWh	1,548
Suzhou Erye	HECC heat pipes	Air compression system layout optimization, Roots blower renovation in sewage station	Energy saving promotion, air conditioning mode adjustment	Electricity: 380,000 kWh	217
Shandong Erye	Solar heat exchangers, condensate water reuse, HECC heat pipes	Refrigeration cycle pump parameter optimization, Roots blower renovation in sewage station, optimization of air conditioning operation mode, refrigeration cycle pump control optimization	Air compressor parameter optimization, temperature and humidity energy saving optimization	Electricity: 790,000 kWh Natural gas: 50,000 m^3	565

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Name of enterprise/plant	Energy conservation and emission reduction measures			Energy saved	Carbon reduction (ton)
	Application of new technologies and equipment	Optimization of production process and layout	Energy management system		
Red Flag Pharma			Air conditioning mode adjustment, off-peak operation of sewage station	Electricity: 200,000 kWh Natural gas: 10,000 m^3	140
Chemo Biopharma		Drying tower regeneration time controller optimization	Compressed air pressure regulation optimization	Electricity: 220,000 kWh Purchased steam: 547 tons	304
Wanbang Pharma	Waste heat recovery			Purchased steam: 470 tons	154
Wanbang Jinqiao	Waste heat recovery	Permanent-magnet variable-frequency air compressors, cold storage compressors, magnetic levitation chillers, magnetic levitation fans in sewage station, steam pipeline insulation	Alcohol recovery tower parameter optimization	Electricity: 800,000 kWh Purchased steam: 2,000 tons	1,110
Zhaohui Pharma	Condensate water reuse		Chiller start-up combination optimization	Electricity: 250,000 kWh Purchased steam: 600 tons	339
Avanc Pharma	Ultra-high speed centrifuges in sewage station	Steam trap leakage detection, heat exchanger descaling, boiler combustion device renovation	Heating water temperature dynamic control standards	Electricity: 700,000 kWh Natural gas: 140,000 m^3	702
Fosun Aleph			Air conditioning units are turned on quarterly	Electricity: 430,000 kWh	245
Fosun Antejin		Conversion of the steam pipes laid in the outdoor trench into a pipe-in-pipe direct burial type		Purchased steam: 285 tons	93
Shanghai Henlius (Songjiang First Plant)	LED lights, voice control and light control switches	Boiler pressure setting optimization, air compressor parameter setting optimization		Electricity: 390,000 kWh Natural gas: 60,000 m^3	350
Gland Pharma	Energy-saving chillers and air compressors, LED lights			Electricity: 910,000 kWh	823

Note: The baseline for energy conservation and emission reduction is the level of energy consumption and carbon emissions before energy conservation and emission reduction measures are taken.

In addition, the Group continues to promote the coverage of energy management system certification and continues to improve its own energy management standards. As at the end of the Reporting Period, seven subsidiaries of the Group have passed ISO50001 energy management system certification.

3. Environmental Protection

Case: Optimization of operating parameters of secondary chilled water circulating pumps

The operating parameters of secondary chilled water circulating pumps have been optimized at Shandong Erye. Based on the actual needs for chilled water pressure of the workshops, the settings for water supply pressure of the secondary chilled water circulating pump group control system and the upper and lower limit frequency of the circulating pump switches were adjusted such that the number of circulating pumps operating at the same time was reduced from 6 to 4, and the operating frequency of a single unit was reduced by 15 Hz on average, saving electricity of 490,000 kWh throughout the year.

Energy Structure Optimization

The Group continues to adjust its energy structure by reducing the use of fossil fuels and increasing the proportion of renewable energy and clean energy. During the Reporting Period, the Group pushed hard on the purchase of external green electricity and expansion of the construction of internal photovoltaic power stations to increase the proportion of green power in total electricity consumption.

During the Reporting Period, the Group purchased green electricity of 14,699,769 kWh in total, including purchased new energy of 13,843,119 kWh and purchased hydropower of 856,650 kWh. The purchased green electricity reduced carbon emissions by 8,383 tons. The internal photovoltaic power stations of the Group generated electricity of 2,879,342 kWh in total, representing a year-on-year increase of nearly 110%.

Case: Installation of internal photovoltaic systems

The Group has gradually pushed ahead the construction of self-generated power projects for its own use, such as rooftop photovoltaic systems. During the Reporting Period, the Renhe Plant and Shuitu Plant of Yao Pharma installed new photovoltaic systems and put them into operation. Wanbang Pharma also continued to expand the coverage of the photovoltaic system in the factory area. During the Reporting Period, the internal photovoltaic power stations of the Group generated electricity of 2,879,342 kWh in total, representing a year-on-year increase of nearly 110%.

Photovoltaic system installation

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Ozone-depleting Substance Emission Management

During the Reporting Period, the ozone-depleting substances emissions by the Group were all kinds of Freon refrigerants (R22, R123, R134A, R32, R125, R143A, R407C, R404A, R410A and R507A) and the statistical Freon consumption was 9.56 tons. In order to fulfill its obligations under the Vienna Convention and the Montreal Protocol, the Group will continue to limit the amount of controlled ozone-depleting substances in use.

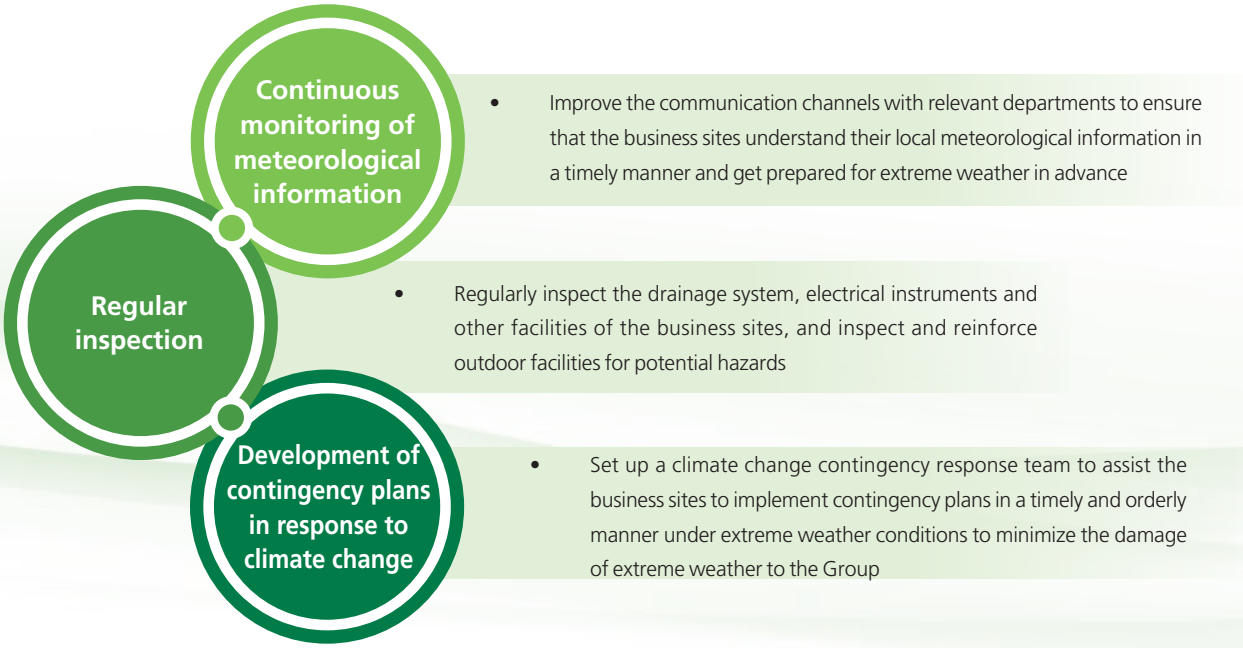
Carbon Emission Management

The Group has stepped up its efforts into the thorough investigation of other indirect emissions, namely Scope III carbon emissions, which particularly included the carbon emissions arose from employee commuting and travelling, consumption of materials and packaging materials, and consumption of chemical raw materials. During the Reporting Period, the aggregated Scope I and Scope II emissions decreased year on year, and the increase in total carbon emissions was mainly due to the substantial increase in Scope III emissions. Nevertheless, the Group will insist on tapping into Scope III emissions in the future, and will gradually include the reduction in Scope III emissions in the future plans to achieve the dual carbon targets through the influence of the supply chain, thereby ensuring the accomplishment of committed targets by the proposed year to achieve the dual carbon target.

Adaptation

Climate change brings more frequent natural disasters such as heavy rains and floods, which directly affect business operations. In order to better prepare for climate change, the Group has launched a climate change early warning model in its business sites and formulated contingency plans in response to climate change to improve its adaptability and resilience to climate change.

The Group has an internal typhoon and flood prevention management mechanism. If China's competent authority issues any typhoon and heavy rain alert, the task force responsible for typhoon and flood prevention in the affected business site will take action based on the typhoon and rain conditions in the region. The task force will be led by the person in charge of the business site, and will comprise the heads of core departments and key personnel. Before the typhoon and heavy rain come, the task force will undertake wind and flood prevention and reinforcement in key areas of the business site and the relocation and resettlement of key personnel and materials. At the same time, during the typhoon and heavy rain, the task force will also conduct rainy season inspections and get prepared for rescue and disaster relief at any time to ensure normal production and operations, and to avoid and minimize the loss of people and property caused by heavy rains and floods. The typhoon and flood prevention task forces will also organize regular training and drills during non-typhoon, rain and flood periods, summarize the experiences and lessons learned from previous typhoon and flood prevention periods, continuously optimize internal communication and coordination processes, and improve response measures to natural disasters, thereby improving business sustainability under various scenarios.



3. Environmental Protection

3.1.4 Metrics and Targets

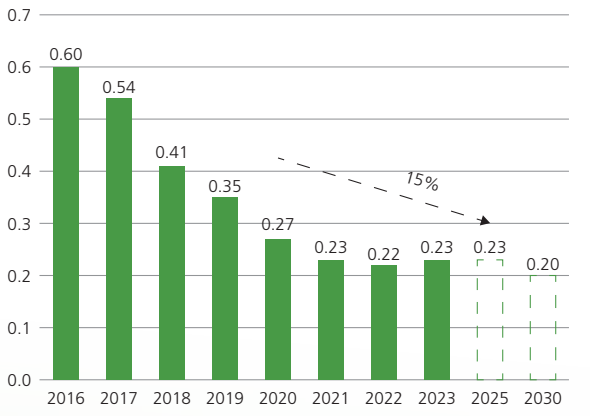
2021–2025 EHS Five-Year Strategic Goals

- Carbon emission intensity: Reduction by 15% in 2025 compared with that in 2020, i.e. 0.23 ton/RMB10,000 revenue by 2025
- Carbon emission reduction from energy conservation projects: Carbon emission reduction of 30,000 tons in aggregate from 2021 to 2025 with a planned carbon reduction of 6,000 tons per year
- Comprehensive energy consumption intensity: Reduction by 10% in 2025 compared with that in 2020, i.e. 2.287 GJ/RMB10,000 revenue by 2025

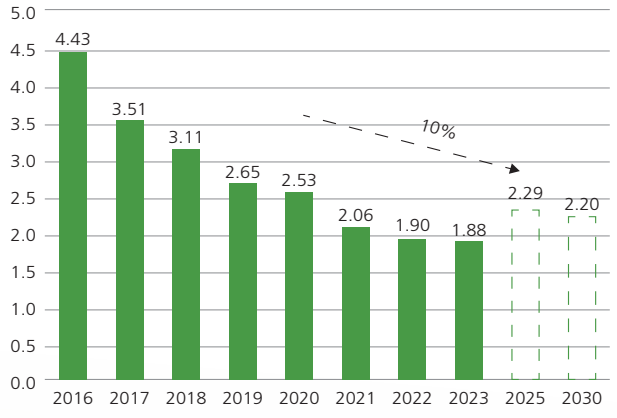
Achievement of Performance Indicators

Performance indicator	2023 (Indicator vs. Actual)	Achievement of Goal for 2023 in the Five-year Strategic Goals
Carbon emission intensity (ton/RMB10,000 revenue)	0.246 VS 0.233	Goal achieved
Comprehensive energy consumption intensity (GJ/RMB10,000 revenue)	2.381 VS 1.878	Goal achieved
Carbon emission reduction from energy conservation projects (10,000 tons)	0.60 VS 1.01	Goal achieved

Carbon emission intensity Unit: ton/RMB10,000 revenue



Comprehensive energy consumption intensity
Unit: GJ/RMB10,000 revenue



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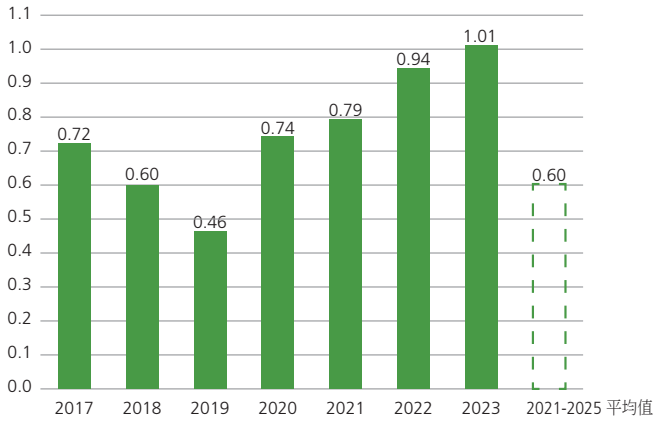
Carbon emission reduction from energy conservation projects Unit: 10,000 tons



Carbon Emissions

Year	Total carbon emissions[1] (ton CO_2e)	Type of carbon emissions[4]			Carbon emission intensity (ton/RMB10,000 revenue)
		Scope I carbon emissions[2] (ton CO_2e)	Scope II carbon emissions[2] (ton CO_2e)	Scope III carbon emissions[3] (ton CO_2e)	
2016	746,179	—	—	—	0.60
2017	822,786	—	—	—	0.54
2018	786,371	396,062	389,265	1,044	0.41
2019	758,143	380,642	376,563	938	0.35
2020	827,858	224,552	602,236	1,070	0.27
2021	900,112	307,856	591,357	899	0.23
2022	949,469	289,044	659,631	794	0.22
2023	960,864	210,819	677,874	72,171	0.23

Notes:

1. The greenhouse gases included in the calculation of the boundaries of responsibility of the total carbon emissions (i.e. within the physical boundaries of production, operations and office) only include carbon dioxide, so GMP values are not selected.

2. Scope I direct carbon emission sources include the combustion of natural gas, liquefied gas, raw coal, diesel, fuel oil, and other fossil fuels, and Scope II energy indirect carbon emission sources include net purchased electricity and steam.

3. During the Reporting Period, Scope III other indirect carbon emission sources include employee commuting and business travelling, consumption of materials and packaging materials, and consumption of chemical raw materials. No retrospective adjustment has been made to the Scope 3 categories and quantities in previous reports to calculate on the same basis.

4. Carbon emission factors refer to the "2022 National Power Grid Average Emission Factors of the Ministry of Ecology and Environment of People's Republic of China", "Guidelines for Calculation Methods and Reporting of Greenhouse Gas Emissions from Industrial and Other Industrial Enterprises (Trial)", "IGES List of Grid Emission Factors V11.0" and "GHG Emission Factors for Electricity Consumption. European Commission, Joint Research Centre (JRC) [Dataset] PID", and other national and international methodological documents on carbon emission sources and calculations.

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Energy Consumption

Year	Total electricity consumption[1] (kWh/year)	Internal energy consumption (GJ/year)	External energy consumption (GJ/year)	Comprehensive energy consumption[2] (GJ/year)	Comprehensive energy consumption intensity (GJ/RMB10,000 revenue)
2016	478,175,186	—	—	5,581,931	4.43
2017	513,272,112	—	—	6,496,683	3.51
2018	655,108,860	7,738,463	14,799	7,753,262	3.11
2019	631,436,019	7,563,248	13,302	7,576,550	2.65
2020	637,986,028	7,640,595	15,173	7,655,768	2.53
2021	664,674,268	8,036,008	12,735	8,048,743	2.06
2022	713,527,824	8,357,349	11,254	8,368,603	1.90
2023	769,128,064	7,736,652	11,527	7,748,179	1.88

Notes:

1. The total electricity consumption comprises purchased electricity and solar energy power generated from internal photovoltaic systems.

2. The energy consumption is calculated according to the General Rules for the Calculation of Comprehensive Energy Consumption (GB/T 2589-2020).

Energy Consumption by Business Segment in 2023

	Total electricity consumption (kWh/year)	Natural gas (m^3)	Liquefied gas (kg)	Steam (kg)	Raw coal (ton)	Diesel (litre)	Gasoline (litre)	Fuel oil (kg)
Pharmaceutical manufacturing	690,203,030	19,276,543	35,605	668,221,726	75,208	1,421,323	168,104	2,194,460
Medical devices and medical diagnosis	8,498,621	0	3,887	640,000	0	42,877	51,726	0
Healthcare services	70,426,413	1,178,337	0	0	0	37,726	150,381	16,095
Total	769,128,064	20,454,880	39,492	668,861,726	75,208	1,501,926	370,211	2,210,555

During the Reporting Period, the Group recorded carbon emission intensity of 0.233 ton per RMB10,000 revenue, and comprehensive energy consumption intensity of 1.878 GJ/RMB10,000 revenue, representing a decrease of 1.35% from 2022 and reaching the target value for the current period.

3. Environmental Protection

3.2 Environmental Management

In order to minimize the possible negative impact of its own operations on the environment, the Group has established an EHS environmental management system in accordance with Environmental Protection Law of the People's Republic of China, the Air Pollution Prevention Law of the People's Republic of China, the Water Pollution Prevention Law of the People's Republic of China and other laws and regulations to actively identify, assess and manage business-related environmental risks, and strike a balance between economic benefits and environmental sustainability of the Group.

3.2.1 Environmental Management System

In order to further enhance the awareness of EHS importance among all levels, the Group has included the achievement of environmental objectives and indicators in the senior management performance appraisal. We conduct assessments and evaluate performance according to the assessment results on an annual basis, and the evaluation results will be incorporated into the ESG sustainability performance, which will be eventually converted into a coefficient between 0 and 1 as a multiplier factor of the overall senior management performance. The Group will implement remuneration cuts in case of substandard performance.

According to the ISO 14001 environmental management system standard, the Group has formulated environmental management requirements and implemented supervision for the Company and its subsidiaries. As at the end of the Reporting Period, the Group had 19 subsidiaries successively passing the ISO14001 certification, accounting for 76% of the total number of manufacturing subsidiaries [Note 1]. In the future, the Group will require the full ISO14001 certification coverage for all manufacturing subsidiaries of the Group. Meanwhile, the Group also continued to carry out clean production and green factory certification. As at the end of the Reporting Period, the Group had 15 subsidiaries passing the clean production certification and 8 subsidiaries receiving the honorary titles of national/provincial green factory.

Certifications on Environment Management Systems and Standardization of Major Subsidiaries

Enterprise name	Type of certification	Enterprise name	Type of certification
Yao Pharma	ISO14001	Wanbang Pharma	ISO14001, clean production, green factory
Carelife Pharma	ISO14001, clean production	Wanbang Jinqiao	ISO14001, clean production
Dongting Pharma	ISO14001, clean production	Zhaohui Pharma	ISO14001, clean production, green factory
Jisimei (Wuhan)	ISO14001	Wanbang Folon	ISO14001, clean production, green factory
Hexin Pharma	Clean production	Avanc Pharma	ISO14001, clean production
Jiluohua Pharma	ISO14001, clean production	Shine Star	ISO14001
Guilin Pharma	ISO14001, clean production, green factory	Dengrui Feiye	ISO14001
Suzhou Erye	ISO14001, clean production, green factory	Gland Pharma	ISO14001
Shandong Erye	ISO14001, clean production, green factory	Fosun Diagnosis	Clean production
Red Flag Pharma	ISO14001, clean production, green factory	Fosun Beiling	ISO14001
Chemo Biopharma	ISO14001, clean production, green factory		
Total	ISO14001 certification: 19; clean production certification: 15; green factory: 8		

Note 1: Excluding subsidiaries under construction and to be relocated

3. Environmental Protection

Case: With one more national-level green factory, the Group has a total of 8 subsidiaries evaluated as green factories

Under the dual carbon strategy, green manufacturing is an important mission to attain industrial transition, and has become a new trend to implement the high-quality development requirements. As the core supporting component of green manufacturing, green factory plays a key role for enterprises to practice low-carbon development. The "14th Five-Year Plan for Industrial Green Development" specified to strengthen green manufacturing benchmarking, continuously promote the construction of green products, green factories, green industrial parks and green supply chain management enterprises around key industries and important sectors, and select and publish the green manufacturing list. This aims to guide and regulate enterprises in building "green factories" according to the principles of "intensive factory buildings, harmless raw materials, clean production, waste recycling and low carbon energy", and select advanced cases to set an industry benchmark. While maintaining steady operations, more and more subsidiaries of the Group are targeting to build green factories and use green operations to enhance their sustainable competitive advantages.

- Shandong Erye won the honorary title of National-level Green Factory in 2023
- Red Flag Pharma won the honorary title of National-level Green Factory in 2022
- Chemo Biopharma won the honorary title of Green Factory of Shanghai in 2022
- Wanbang Folon won the honorary title of Green Factory of Xingtai in 2022
- Wanbang Pharma won the honorary title of Green Factory of Jiangsu in 2021
- Zhaohui Pharma won the honorary title of National-level Green Factory in 2021
- Suzhou Erye won the honorary title of Green Factory of Jiangsu in 2020
- Guilin Pharma won the honorary title of Green Factory of Guangxi in 2018

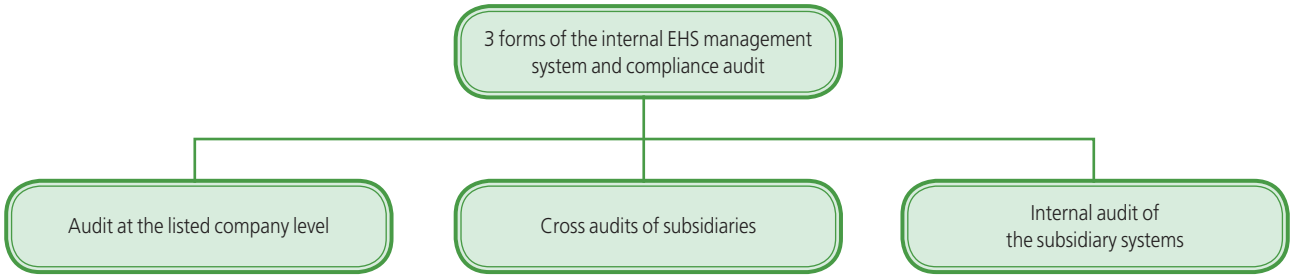
3.2.2 The EHS Management System and Compliance Audits

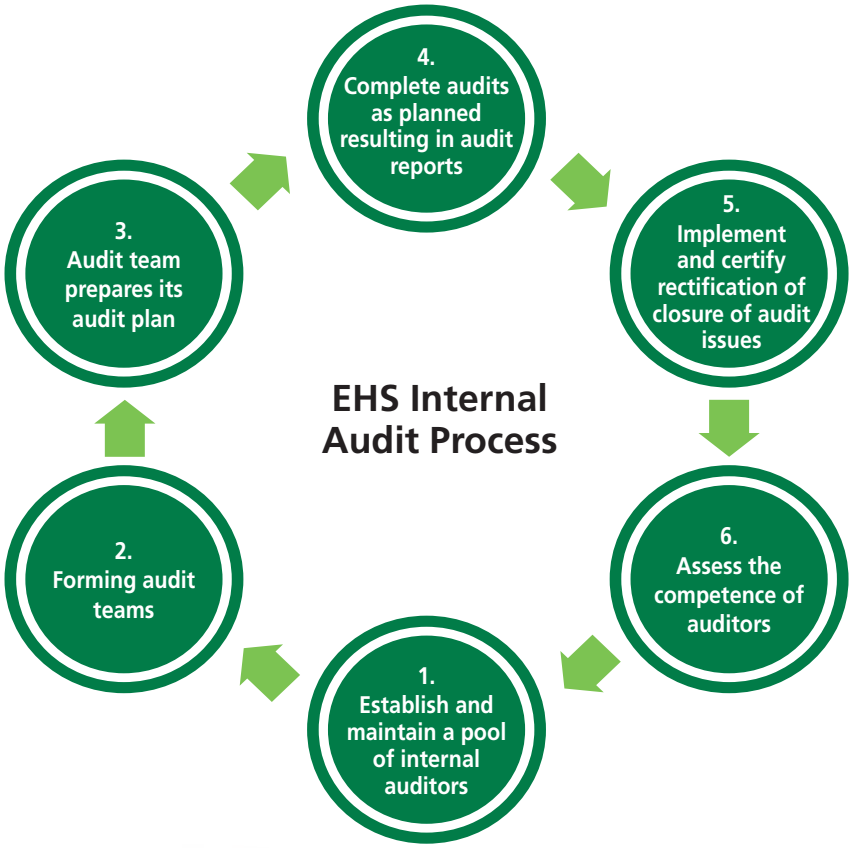
The Group conducts regular external and internal EHS management system and compliance audits, and always ensures the stable and compliant operation of the EHS management system in accordance with the PDCA (Plan, Do, Check and Act) procedure. The Group conducts annual tracking audit for all subsidiaries that have passed the ISO14001 environmental management system, and performs renewal audit every three years. On this basis, the Group actively promotes the internal audit of environmental management system and environmental compliance, including the audit of the listed company, cross-audit of subsidiaries and internal audit of subsidiary systems. During the Reporting Period, the EHS management system (including the environmental management system) of the Group had regular environmental impact audits coverage of 100%.

In view of the problems listed in the audit report, the audited subsidiaries need to make a corrective and preventive action plans, and the EHS department of the Group is responsible for following up the rectification of audit findings. The Group requires the subsidiaries engaged in preparations business to undergo at least one cross-audit every three years, the subsidiaries engaged in APIs to receive one cross-audit every year, and all subsidiaries to complete at least one EHS management system internal audit every year and report the results to the EHS department of the Company, which will all be included in the rectification tracking plan. Based on the severity level of the problems, the audited subsidiaries will make a corrective and preventive action plans and set different time limits for rectification. The EHS department of the Company is responsible for follow-up and rectification.

The EHS internal and compliance audits mainly examine five dimensions, namely EHS system, safety, environment, fire protection, and occupational health. In particular, the environment dimension includes seven audit elements, namely sewage/water resources, air, solid waste, soil/groundwater, noise, energy/carbon emissions, and general environmental protection management elements. Every environmental element audit will include compliance audits. Therefore, along with the annual self-evaluation and internal audit in the EHS management system, the Group will conduct annual audit of environmental protection compliance of subsidiaries, with a coverage rate of 100%.

3. Environmental Protection





During the Reporting Period, the Group invested a total of approximately RMB230 million in environmental protection and safety, of which RMB132 million was mainly used for the upgrading and renovation of the environmental protection treatment facilities, operation of environmental protection facilities and waste treatment in subsidiaries. During the Reporting Period, the subsidiaries paid a total of RMB86,400 in environmental protection tax, and the major taxable pollutants were sulfur dioxide, nitrogen oxides, non-methane hydrocarbons and particulate matters.

3. Environmental Protection

3.2.3 Environmental Strategic Goals

The Group continues to practice low pollution and low emissions, and actively calls for the harmonious and sustainable development between profit and social environment. In 2021, the Company set the EHS strategic goals from 2021 to 2025. In particular, the Group set high-standard quantitative target values for waste gas, sewage, waste discharge and water resource consumption, so as to urge the Group to achieve industry-leading environmental performance and further improve the environmental and resource management of subsidiaries. While formulating strategic goals, the Group has also established a detailed path to achieve the goals, and set up various quantitative indicators to follow up the progress in meeting the goals every quarter and adjust the action path accordingly. As at the end of the Reporting Period, the Group has outperformed in meeting the goals in a number of environmental indicators.

During the Reporting Period, the Group also set 10 environmental management goals, in addition to carbon emission and energy consumption management goals. The details are as follows:

Item	Unit/indicator	Goal for 2025	Goal for 2023	Progress in meeting goal for 2023
Waste gas emission				
Nitrogen oxides	g/RMB10,000 revenue	Decrease by 20% compared to 2020	Decrease by 12% compared to 2020	Goal achieved
Sulfur dioxide	g/RMB10,000 revenue	Decrease by 20% compared to 2020	Decrease by 12% compared to 2020	Goal achieved
Particulate matter	g/RMB10,000 revenue	Decrease by 20% compared to 2020	Decrease by 12% compared to 2020	Goal achieved
VOCs	Compliance	100%	100%	Goal achieved
Sewage discharge				
Sewage	ton/RMB10,000 revenue	Decrease by 15% compared to 2020	Decrease by 9% compared to 2020	Goal achieved
COD	kg/RMB10,000 revenue	Decrease by 15% compared to 2020	Decrease by 9% compared to 2020	Goal achieved
Ammonia nitrogen	kg/RMB10,000 revenue	Decrease by 15% compared to 2020	Decrease by 9% compared to 2020	Goal not yet achieved
Wastes disposal				
Total waste	kg/RMB10,000 revenue	Decrease by 10% compared to 2019	Decrease by 6% compared to 2019	Goal achieved
Hazardous waste	kg/RMB10,000 revenue	Increase by no more than 59% compared to 2020	Increase by no more than 33% compared to 2020	Goal achieved
Water consumption				
Water consumption	m^3/RMB10,000 revenue	Decrease by 15% compared to 2020	Decrease by 9% compared to 2020	Goal achieved

3. Environmental Protection

3.2.4 Pollutant Management

The Group abides by the Air Pollution Prevention Law of the People's Republic of China, the Water Pollution Prevention Law of the People's Republic of China, the Solid Waste Pollution Prevention Law of the People's Republic of China and other relevant laws and regulations, controls the emission of pollutants such as waste gas, sewage and waste, and actively adopts management measures while ensuring the compliance of emission intensity, so as to gradually reduce the pollutant emission intensity and continuously mitigate the potential impact on the environment.

Waste Gas Management

Major Actions and Strategies

- Strengthen the management of the existing air emission sources, maintain stable compliance with emission standards, and gradually reduce the amount; control new sources of air pollution
- Limit high concentration emission sources of sulfur dioxide and particulate matter; new VOCs emission sources to be equipped with treatment facilities at the same time

2021-2025 EHS Five-Year Strategic Goals

- Intensity of nitrogen oxides: Reduction by 20% in 2025 compared with that in 2020, i.e. 40.86 g/RMB10,000 revenue by 2025
- Intensity of sulfur dioxide: Reduction by 20% in 2025 compared with that in 2020, i.e. 27.41 g/RMB10,000 revenue by 2025
- Intensity of particulate matter: Reduction by 20% in 2025 compared with that in 2020, i.e. 9.57 g/RMB10,000 revenue in 2025
- 100% compliance with annual VOCs emissions to be achieved by 2025

Achievement of Performance Indicators

Performance indicator	2023 (Indicator vs. Actual)	Achievement of Goal for 2023 in the Five-year Strategic Goals
Intensity of nitrogen oxides (g/RMB10,000 revenue)	45.04 VS 38.38	Goal achieved
Intensity of sulfur dioxide (g/RMB10,000 revenue)	30.22 VS 29.77	Goal achieved
Intensity of particulate matter (g/RMB10,000 revenue)	10.55 VS 8.88	Goal achieved
VOCs emissions control rate	100% VS 100%	Goal achieved

The air pollution of the Group mainly comes from various kinds of organized and unorganized volatile organic compounds (such as non-methane hydrocarbons) emitted by manufacturing subsidiaries, nitrogen oxides/sulfur dioxide/smoke particles generated by boilers during full and incomplete combustion, etc. Accordingly, the Group has formulated four internal control characteristic pollution factors in air pollution control, namely nitrogen oxides, sulfur dioxide, particulate matter and volatile organic compounds (VOCs).

The Group actively responds to the requirements of national and regional environmental protection departments. On one hand, we reinforce source control by encouraging the adoption of processes to replace volatile substances such as organic solvents and cleaning agents, so as to control the generation of waste gas pollution from the source. On the other hand, we fully consider the organized collection of waste gas to reduce the unorganized emission of VOCs. During the Reporting Period, the air pollutant emissions of the Group comprised nitrogen oxides of 158 tons, sulfur dioxide of 123 tons, particulate matter of 37 tons and VOCs of 43 tons.

3. Environmental Protection

Air Pollutant Emissions

	Nitrogen oxides		Sulfur dioxide		Particulate matter		Volatile organic compounds (VOCs)
	Total (ton/year)	Intensity (g/RMB10,000 revenue)	Total (ton/year)	Intensity (g/RMB10,000 revenue)	Total (ton/year)	Intensity (g/RMB10,000 revenue)	Total (ton/year)
2016	466	—	485	—	19	—	—
2017	239	—	245	—	41	—	—
2018	251	—	279	—	44	—	—
2019	258	—	134	—	36	—	—
2020	158	—	105	—	37	—	24
2021	182	46.61	101	25.91	25	6.45	43
2022	204	46.45	118	26.91	30	6.90	41
2023	158	38.38	123	29.77	37	8.88	43

3. Environmental Protection

Specific Measures for the Treatment of Air Pollutants by Major Subsidiaries

Name of enterprise	Type of air pollutants	Configuration of air pollution treatment facility
Yao Pharma (Renhe)	Nitrogen oxides, particulate matter, non-methane hydrocarbons	Bag dust removal, low nitrogen combustion, activated carbon adsorption
Yao Pharma (Shuitu)	Nitrogen oxides, particulate matter, non-methane hydrocarbons	Bag dust removal, low nitrogen combustion
Jisirui Pharma	Nitrogen oxides, sulfur dioxide, particulate matter, non-methane hydrocarbons	Bag dust removal, low nitrogen combustion
Carelife Pharma (First Plant)	Non-methane hydrocarbons	Lye spray + paraffin oil spray + activated carbon adsorption, lye spray + activated carbon adsorption
Carelife Pharma (Second Plant)	Non-methane hydrocarbons	Lye spray + activated carbon adsorption, lye spray + paraffin oil spray + activated carbon adsorption, water spray + lye spray + resin adsorption
Dongting Pharma	Nitrogen oxides, sulfur dioxide, particulate matter, non-methane hydrocarbons	Lye spray + UV + lye spray + activated carbon adsorption
Shinsun Pharma	Nitrogen oxides, sulfur dioxide, particulate matter, non-methane hydrocarbons	Activated carbon adsorption
Jisimei (Wuhan)	Non-methane hydrocarbons	Primary and medium efficiency filtration + activated carbon adsorption
Hexin Pharma	Nitrogen oxides, sulfur dioxide, particulate matter, non-methane hydrocarbons	Low nitrogen combustion, spray tower + activated carbon adsorption, oil fume purifier
Guilin Pharma	Nitrogen oxides, sulfur dioxide, particulate matter, non-methane hydrocarbons	Lye/acid spray + lye spray + activated carbon adsorption + zeolite rotor adsorption + RTO
Suzhou Erye	Nitrogen oxides, sulfur dioxide, particulate matter, non-methane hydrocarbons	Activated carbon desorption and adsorption + two-level water washing, activated carbon adsorption, two-level water washing + RTO incineration + lye spray, secondary combustion chamber + quenching tower+ bag dust removal + spray washing
Shandong Erye	Nitrogen oxides, sulfur dioxide, particulate matter, non-methane hydrocarbons	SNCR + flue gas quenching + dry deacidification + bag dust removal + lye spray + wet electrostatic precipitator, lye spray + water spray + activated carbon adsorption + desorption, lye spray, activated carbon adsorption, low nitrogen combustion
Red Flag Pharma	Nitrogen oxides, sulfur dioxide, particulate matter, non-methane hydrocarbons	Cloth bag filtration, low nitrogen combustion technology, water washing + activated carbon adsorption, water washing +cloth bag filtration
Chemo Biopharma	Non-methane hydrocarbons	Activated carbon adsorption
Wanbang Jinqiao	Non-methane hydrocarbons	Zeolite wheel + catalytic oxidation, activated carbon adsorption + steam desorption, lye spray + acid spray + biofilter + sodium hypochlorite spray, lye spray+ acid spray+ biofilter + activated carbon adsorption
Zhaohui Pharma	Particulate matter, non-methane hydrocarbons	Filter cartridge dust removal + alkaline wash + dehydration and demisting + activated carbon absorption, activated carbon absorption, oil fume purifier, alkaline cleaner, spray, bag dust removal

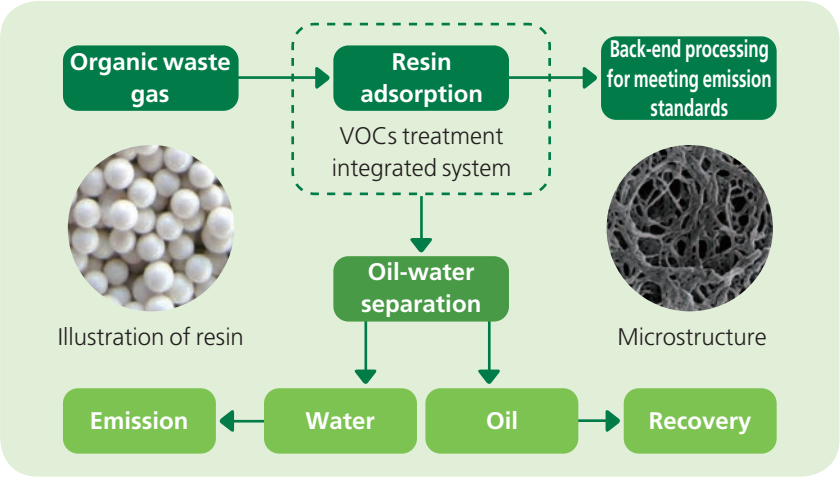
3. Environmental Protection

Name of enterprise	Type of air pollutants	Configuration of air pollution treatment facility
Wanbang Folon	Nitrogen oxides, sulfur dioxide, particulate matter	Low nitrogen combustion of boilers, bag dust removal, biological filter deodorization, spray + electrostatic adsorption, photocatalytic oxidation+ activated carbon
Wanbang Tiansheng	Nitrogen oxides, sulfur dioxide, particulate matter	Low nitrogen combustion of boilers
Suntech Pharma	Particulate matter, non-methane hydrocarbons	Activated carbon adsorption
Xingnuo Pharma	Non-methane hydrocarbons	RTO incineration, lye spray, bag filter, two-stage activated carbon adsorption + biological deodorization
Fosun Pharma (Xuzhou)	Particulate matter, non-methane hydrocarbons	Bag dust removal, water spray + activated carbon adsorption, alkaline water spray tower + biological filter box deodorization, activated carbon adsorption
Avanc Pharma	Nitrogen oxides, sulfur dioxide, particulate matter, non-methane hydrocarbons	Low nitrogen combustion, condensation + water washing + lye washing + activated carbon adsorption, water washing + biological purification + packing adsorption, dust removal system - multi-stage filtration technology
Fosun Aleph	Nitrogen oxides, sulfur dioxide, particulate matter, non-methane hydrocarbons	Spray tower, demisting, low temperature plasma purifier, activated carbon adsorption box
Fosun Antejin	Non-methane hydrocarbons	Tunnel infrared sterilizer + activated carbon adsorption, water washing spray + UV photo-oxygen catalyst, water washing spray + tunnel infrared sterilizer + UV photo-oxygen catalyst + activated carbon adsorption
Shanghai Henlius (Yishan Road)	Nitrogen oxides, sulfur dioxide, particulate matter, non-methane hydrocarbons	Activated carbon adsorption, low nitrogen combustion
Shanghai Henlius (Songjiang First Plant)	Nitrogen oxides, sulfur dioxide, particulate matter	Activated carbon adsorption, low nitrogen combustion
Shanghai Henlius (Songjiang Second Plant)	Nitrogen oxides, sulfur dioxide, particulate matter	Activated carbon adsorption, low nitrogen combustion
Huaiyin Medical	Non-methane hydrocarbons	Activated carbon adsorption
Fosun Beiling	Non-methane hydrocarbons	Activated carbon adsorption

3. Environmental Protection

Case: Carelife Pharma adopted a new resin waste gas treatment process

Resin is a spherical polymer particle with three-dimensional mesh structure and adsorption selectivity. The principle of resin adsorption process in treating VOCs is to adsorb and recover the organic matter in the waste gas to purify the waste gas, which has an especially high removal rate for non-polar and weakly polar VOCs. At present, the process is tested to have a high VOCs removal efficiency, which not only meets the discharge requirements, but also has a discharge concentration far below the limit. Through the oil-water separation of VOCs components, the process can effectively separate and recover some organic solvents.



The new resin waste gas treatment process adopted by Carelife Pharma

Case: Air emission reduction of boiler pollutants of Avanc Pharma

Nitrogen oxides are one of the major air pollutants. Installing a low-nitrogen burner not only improves the energy utilization rate, but also reduces the nitrogen oxides emission and effectively improves the air quality. Avanc Pharma renovated the low-nitrogen burners of boilers No.4 and No.5, and saw a obvious decrease in the total amount and concentration of nitrogen oxides emitted when burning natural gas in boilers.

Boiler renovation of Avanc Pharma

3. Environmental Protection

Sewage Management

Major Actions and Strategies

- Increase in hardware investment in sewage treatment facilities, add sewage treatment facilities or upgrade and renovate sewage treatment facilities

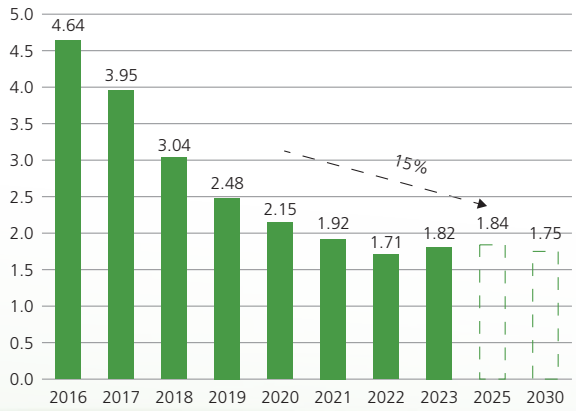
2021-2025 EHS Five-Year Strategic Goals

- Sewage discharge intensity: Reduction by 15% in 2025 compared with that in 2020, i.e. 1.838 tons/RMB10,000 revenue by 2025
- COD emission intensity: Reduction by 15% in 2025 compared with that in 2020, i.e. 0.188 kg/RMB10,000 revenue by 2025
- Ammonia nitrogen emission intensity: Reduction by 15% in 2025 compared with that in 2020, i.e. 0.0246 kg/RMB10,000 revenue by 2025

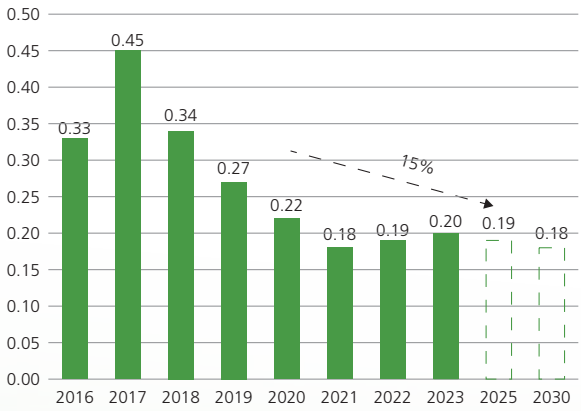
Achievement of Performance Indicators

Performance indicator	2023 (Indicator vs. Actual)	Achievement of Goal for 2023 in the Five-year Strategic Goals
Sewage discharge intensity (ton/RMB10,000 revenue)	1.962 VS 1.820	Goal achieved
COD emission intensity (kg/RMB10,000 revenue)	0.201 VS 0.198	Goal achieved
Ammonia nitrogen emission intensity (kg/RMB10,000 revenue)	0.0265 VS 0.0465	Goal not yet achieved

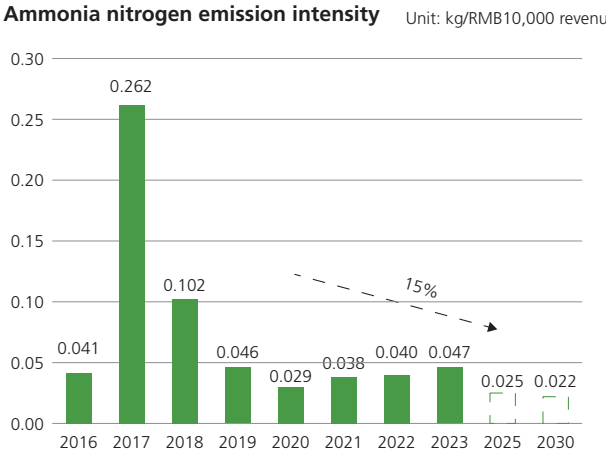
Sewage discharge intensity Unit: ton/RMB10,000 revenue



COD emission intensity Unit: kg/RMB10,000 revenue



3. Environmental Protection



The sewage discharge of the Group mainly includes production sewage and domestic sewage. According to the principle of "rainwater and sewage separation and classified treatment", all sewage, including the initial rainwater of subsidiaries engaged in API business, is first treated by the internal sewage treatment station, and then enter the designated municipal pipeline network after meeting the discharge concentration limit standard, and then further treated by the local sewage treatment unit before discharge. The Group does not directly discharge sewage into surface water, groundwater and seawater.

As at the end of the Reporting Period, all the manufacturing subsidiaries of the Group listed as key pollutant discharge entities (water) completed the installation of the online sewage monitoring system, and the Company may obtain the real time drainage indicators of the key pollutant discharge subsidiaries, thus strengthening the supervision on the discharge by subsidiaries. During the Reporting Period, the Group had a total sewage discharge of 7,507,716 tons, chemical oxygen demand (COD) of 817 tons, and ammonia nitrogen of 192 tons.

Water Pollutants Discharge

	Total sewage discharge (ton/year)	COD (ton/year)	Ammonia nitrogen (ton/year)	Sewage discharge intensity (ton/RMB10,000 revenue)	COD emission intensity (kg/RMB10,000 revenue)	Ammonia nitrogen emission intensity (kg/RMB10,000 revenue)
2016	6,785,400	490	61	4.64	0.33	0.041
2017	7,315,890	841	486	3.95	0.45	0.262
2018	7,565,178	847	254	3.04	0.34	0.102
2019	7,091,033	778	130	2.48	0.27	0.046
2020	6,505,479	655	89	2.15	0.22	0.030
2021	7,497,581	704	146	1.92	0.18	0.038
2022	7,523,754	841	175	1.71	0.19	0.040
2023	7,507,716	817	192	1.82	0.20	0.047

3. Environmental Protection

Water Pollutants Discharge by Business Segment

Segment	Total sewage discharge (ton)	Annual discharge of COD (ton)	Annual total discharge of ammonia nitrogen (ton)
Pharmaceutical manufacturing	6,385,505	743.17	171.96
Medical devices and medical diagnosis	52,857	4.61	0.41
Healthcare services	1,069,355	68.86	19.55
Total	7,507,716	816.64	191.93

Case: Renovated and upgraded the sewage stations to further enhance treatment capacity

The Group continued to invest in sewage treatment hardware facilities to enhance the treatment capacity of the sewage stations through acquisition or upgrading and renovation.

Guilin Pharma systematically renovated the sewage treatment system, and adopted the technology of "acidolysis + iron carbon" to treat high-concentration sewage, which not only enhanced the sewage treatment capacity, but also improved the degree of automation of the sewage treatment system in all aspects.

Suzhou Erye upgraded the sewage online monitoring equipment brand and replaced the aerobic zone filler, which significantly reduced the failure rate of online monitoring equipment and improved the data accuracy.

Carelife Pharma adopted the Fenton oxidation technology to treat high-concentration sewage in a targeted manner, and introduced the MBR process to deeply treat the effluent of aerobic zone filler, which further reduced the pollutant concentration, in addition to meeting the discharge standards.

Sewage treatment system of Guilin Pharma

Sewage station of Suzhou Erye

Fenton system introduced by Carelife Pharma

3. Environmental Protection

Waste Management

Major Actions and Strategies

- Give priority to zero landfill for hazardous waste disposal to mitigate the long-term impact of the pollutant disposal on the environment
- Launch waste reduction projects, regularly assess the disposal quantities of major pollutant producers, and transmit the pressure for reduction
- Evaluate the ways of waste entering the social cycle and disposal, and actively explore new value points of waste on the social cycle chain

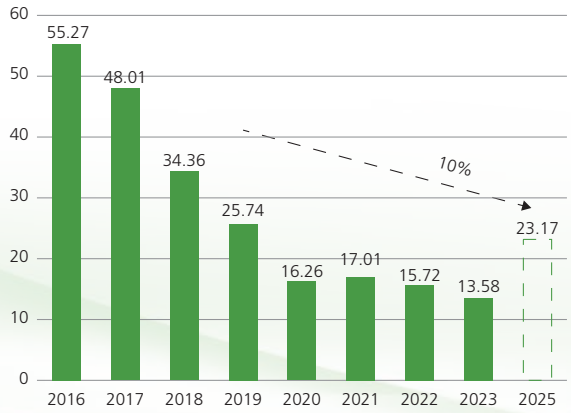
2021–2025 EHS Five-Year Strategic Goals

- Total waste intensity: Reduction by 10% in 2025 compared with that in 2019, i.e. 23.166 kg/RMB10,000 revenue by 2025
- Hazardous waste intensity: Increase by no more than 10% every year, i.e. 3.10 kg/RMB10,000 revenue by 2025

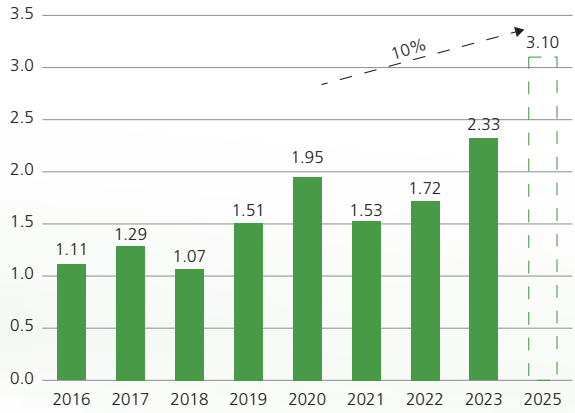
Achievement of Performance Indicators

Performance indicator	2023 (Indicator vs. Actual)	Achievement of Goal for 2023 in the Five-year Strategic Goals
Total waste intensity (kg/RMB10,000 revenue)	24.226 VS 13.583	Goal achieved
Hazardous waste intensity (kg/RMB10,000 revenue)	2.60 VS 2.332	Goal achieved

Total waste intensity Unit: kg/RMB10,000 revenue



Hazardous waste intensity Unit: kg/RMB10,000 revenue



3. Environmental Protection

The Group has included the recycling and comprehensive utilization of internal wastes in the 2021-2025 EHS five-year strategic goals. Adhering to the principle of "reduction, recycling and harmless treatment", we attach great importance to the impact of waste input, generation and discharge on human health and environment during the whole process of raw material procurement, production and operation and final product disposal. The Company requires all subsidiaries to check the types, sources and quantities of wastes, establish a list of wastes, and monitor the generation, transfer and disposal of wastes. On the premise of preventing wastes from polluting the environment, the Company strengthens the management and reduction of hazardous wastes and other wastes with potential environmental risks, and treats and disposes of all kinds of wastes safely according to law.

The Group classifies wastes into three major categories: domestic wastes, general industrial wastes and hazardous wastes. During the Reporting Period, the Group had a total waste of 56,029 tons, representing a year-on-year decrease of approximately 19%, and a total waste intensity of 13.583 kg/RMB10,000 revenue. Among the industrial wastes, the Group recycled 38,093 tons of wastes, and engaged the qualified third-party entities for compliance disposal and reuse. Such recycled industrial wastes include recycled waste packaging materials, animal pancreatic residues, coal residues and Chinese medicine filter residue.

During the Reporting Period, the Group generated a total hazardous waste of 9,618 tons, of which 2,101 tons were reused, 7,276 tons were incinerated, 164 tons were landfilled, and 77 tons were otherwise disposed of. Since the 2022 EHS Management Month, the Group has kept responding to the national call of the Zero-Waste City. During the Reporting Period, the Group continued to promote and implement the target requirement of "zero landfill" of hazardous wastes, and pushed ahead the landfill process replacement projects of a number of subsidiaries, with the hazardous wastes landfill volume decreasing by 21% or 44 tons year on year. During the Reporting Period, the Group had no soil and groundwater pollution incident caused by waste/chemical leakage.

Wastes and Intensity

	Total waste volume (ton)	**Hazardous waste volume** (ton)	**Total waste intensity** (kg/RMB10,000 revenue)	**Hazardous waste intensity** (kg/RMB10,000 revenue)
2016	80,848	1,627	55.27	1.11
2017	88,967	2,397	48.01	1.29
2018	85,797	2,683	34.36	1.07
2019	73,548	4,321	25.74	1.51
2020	49,286	5,915	16.26	1.95
2021	66,328	5,954	17.01	1.53
2022	69,147	7,568	15.72	1.72
2023	56,029	9,618	13.58	2.33

3. Environmental Protection

Waste Disposal by Business Segment in 2023

Segment	Domestic waste (ton)	Industrial solid waste (non-hazardous waste) (ton)	Hazardous waste (ton)
Pharmaceutical manufacturing	2,271	40,303	8,291
Medical devices and medical diagnosis	129	107	61
Healthcare services	3,602	0	1,266
Total	6,002	40,410	9,618

Case: Guilin Pharma won the title of the first batch of "waste-free factories" with the highest score in Guilin

In 2023, Guilin Bureau of Industry and Information Technology and Guilin Bureau of Ecology and Environment announced the list of demonstration entities (first batch) for establishing "waste-free factories" in Guilin, and our subsidiary Guilin Pharma won the title of the first batch of "waste-free factories" in Guilin with a high score of 98.7. "Waste-free factory" is one of the important component for the construction of "waste-free city", which refers to a factory that, based on the principles of source reduction, in-plant circulation and green and low carbon, urges industrial solid waste generating entities to continuously promote the source reduction and resource utilization of solid waste by means of raw material substitution, process transformation, technological upgrading and point-to-point utilization, so as to minimize the landfill volume and the environmental impact of solid waste. Guilin Pharma will adhere to the green recycling development concept, unswervingly follow the green development path, and build a recycling development model according to the ideas of "intra-company small recycling, inter-company medium recycling and social participation big recycling", continuously and effectively promote the construction of "waste-free factories" and support the construction of "waste-free cities".

"Waste-free factory" of Guilin Pharma

3. Environmental Protection

3.2.5 Resources Management

Water Resources Management

Major Actions and Strategies

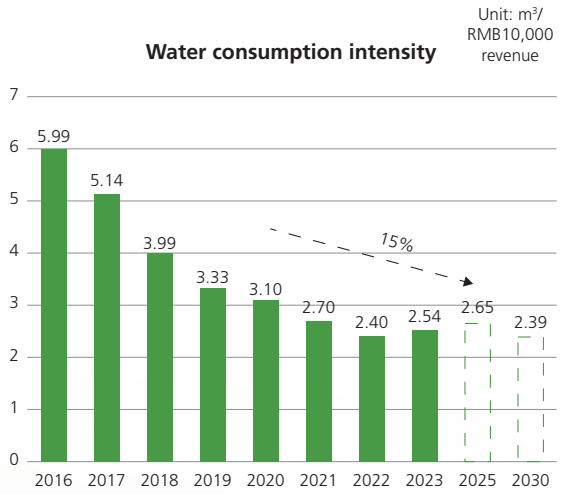
- Reduce consumption from the source, limit projects with high water consumption, and replace high-water consumption processes and high-water consumption equipment
- Promote and modify water-saving equipment and water-saving appliances (such as water-saving toilet and water-saving faucets)
- Encourage all kinds of water recycling systems (such as condensate water reuse, reclaimed water reuse and rainwater reuse)

2021–2025 EHS Five-Year Strategic Goals

- Water consumption intensity: Reduction by 15% in 2025 compared with that in 2020, i.e. 2.65 m^3/RMB10,000 revenue by 2025

Achievement of Performance Indicators

Performance indicator	2023 (Indicator vs. Actual)	Achievement of Goal for 2023 in the Five-year Strategic Goals
Water consumption intensity (m^3/RMB10,000 revenue)	2.83 VS 2.54	Goal achieved



3. Environmental Protection

The Group recognizes the importance of water resources for sustainable production and life, human health and ecosystem stability, and also pay attention to the impact on its business continuity. During the Reporting Period, the Group mainly used municipal water supply for production and domestic use, and made no unauthorized use of underground or surface water sources. The total water consumption was 10,489,189 m^3, representing a decrease of 0.53% compared with 2022, and the water consumption intensity was 2.54 m^3/RMB10,000 revenue.

During the Reporting Period, the Group carried out and implemented a number of water-saving measures, achieving a total water saving of 760,000 m^3, accounting for 7.26% of the total water consumption for the year.

Total Water Consumption and Water Consumption Intensity

	Total water consumption (m^3/year)	Water consumption intensity (m^3/year)
2016	8,769,376	5.99
2017	9,515,697	5.14
2018	9,959,415	3.99
2019	9,527,927	3.33
2020	9,381,818	3.10
2021	10,521,811	2.70
2022	10,545,581	2.40
2023	10,489,189	2.54

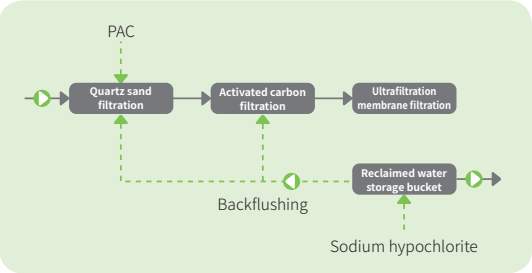
Summary of the Key Water-saving Projects of Certain Subsidiaries

Name of enterprise	Water-saving measures		Total water-saving volume (10,000 m^3)
	Water-saving engineering measures	Administrative measures	
Yao Pharma (Renhe)	Recover concentrated water, recover condensate water	Post water-saving reminders in toilets	2.5
Yao Pharma (Shuitu)	Recover condensate water, optimize the reuse of rainwater in landscape pools during the rainy season, improve the efficiency of purified water production	Post water-saving reminders in toilets	15.2
Jisirui Pharma	Recover condensate water		0.2
Carelife Pharma (Second Plant)		Optimize water meter measurement	3.6
Dongting Pharma	Recover condensate water, optimize cooling circulation system		1.4
Hexin Pharma	Recover condensate water, reuse bottle washing water for replenishment of water in cooling towers	Post water-saving reminders	0.7
Jiluohua Pharma	Recover concentrated water, reuse reclaimed water for greening		3.4
Guilin Pharma	Recover concentrated water, modify freeze dryers	Optimize water meter measurement	3.2
Suzhou Erye	Reuse reclaimed water, modify liquid level automatic control in cooling tower, recycle vacuum pump cooling water	Post water-saving reminders	1.8
Shandong Erye	Reuse reclaimed water, recover condensate water, increase the use of reclaimed water in sewage stations	Optimize water meter measurement	3.7
Red Flag Pharma	Optimize cooling methods of purified water system, recycle concentrated water		1.4
Chemo Biopharma	Reuse reclaimed water	Optimize water meter measurement	0.1
Wanbang Jinqiao	Modify temperature control and water replenishment of water jet vacuum units, control TCU cooling water flow		0.1
Zhaohui Pharma	Adopt automatic control measures for vacuum pump to reduce the use of cooling water usage, improve the utilization rate of raw water for water production	Optimize water meter measurement	2.6
Wanbang Folon	Reuse reclaimed water	Add a standby mode to purified water system	0.9
Xingnuo Pharma	Install water meter in different zones	Optimize water meter measurement	2.1
Avanc Pharma	Adjust purified water system to interval production, use reclaimed water for greening and irrigation		31.3
Fosun Aleph		Adjust production plans during high temperature seasons, avoid peak operation	0.9
Shanghai Henlius (Yishan Road)	Reuse reclaimed water, recycle with in cooling water tower	Optimize water meter measurement, post water-saving reminders	0.8
Shanghai Henlius (Songjiang First Plant)	Reuse reclaimed water, recycle with in cooling water tower	Optimize water meter measurement, post water-saving reminders	0.3

3. Environmental Protection

Case: Introduced reclaimed water reuse system to improve the utilization rate of water resources

In order to save water resources and reduce sewage discharge, Shanghai Henlius introduced a reclaimed water reuse system to further improve the utilization rate of water resources, and collected concentrated water and pure steam condensate during the preparation of pure water for reuse, which was used to replenish water for some equipment of the factory public works. The reclaimed water recycling device adopts UF+RO process, which can effectively save water resources and reduce sewage discharge, and has obvious environmental and economic benefits. At present, the reclaimed water reuse system has been widely used in various subsidiaries.



Process flow of reclaimed water reuse treatment of Shanghai Henlius

Case: Regular maintenance and improvement of underground water pipes in factories

Our subsidiaries mainly use underground pipes for water supply networks. If there is any leakage in underground pipes, it may be difficult to find them in time. For enterprises with multiple years of operation, pipe network leakage could be highly probable. Therefore, the Company requires all subsidiaries, especially those with high water consumption level, to regularly inspect the leakage of their underground water supply networks, and make a comprehensive examination of the wear and tear of the whole underground water supply network with the help of technologies such as micro-probe or small robot, so as to timely find out the leakage points or seriously worn sections for replacement, and reduce or prevent water waste in the underground water supply network.

3. Environmental Protection

Packaging Materials Management

Based on the properties of the packaging materials, the Group divides the packaging materials involved in the manufacturing, transportation and sales of products into six categories: glass, metal, wood, paper, rubber and plastic. During the Reporting Period, the Group consumed traceable packaging materials of 18,772 tons in total, including non-renewable materials of 9,624 tons and renewable materials of 9,148 tons.

Drugs are special products directly related to people's livelihood and health. Both the designs for the inner packaging and the outer packaging of drugs must meet the requirements of the drug safety supervision law, and cannot be recycled completely based on the environmental protection and reduction principle. Therefore, under the premise of meeting the drug safety supervision, the Group is actively finding a way of maximizing the reduction and recycling of drug package materials. On the one hand, the Group reduces and streamlines the outer packaging of products from the source, and optimizes the product manufacturing process to reduce packaging material waste. Certain subsidiaries cooperate with upstream and downstream customers to use material turnover boxes instead of disposable material boxes to reduce packaging material loss in the transportation process, while other subsidiaries reduce the printing size of drug instructions to reduce paper consumption. On the other hand, the Group actively promotes the packaging material recycling process, classifies and manages the packaging materials from unpacking incoming materials, and recycles the packaging materials within the Company. The Group sells the non-recyclable packaging materials to the resource recycling department to complete materials recycling with the help of social resources. The Group pays due attention to the environmental footprint of materials involved in the product manufacturing, transportation and sales, and continuously reduces material consumption and improves the material recycling rate to reduce the compensation for natural resources and promote the efficient and sustainable resource utilization. During the Reporting Period, the Group recycled 853 tons of packaging materials externally, accounting for 4.54% of the total packaging materials consumption, and the packaging materials consumption intensity was 4.55 kg/RMB10,000 revenue.

Packaging Materials Consumption

	Total packaging materials (ton)	Total renewable materials (ton)	Percentage of renewable materials	Of which		Non-renewable materials (ton)	Percentage of non-renewable materials	Of which			
				Paper (ton)	Wood (ton)			Plastic (ton)	Rubber (ton)	Glass (ton)	Metal (ton)
2021	20,793	9,890	47.6%	9,873	17	10,903	52.4%	3,054	578	6,810	461
2022	19,437	9,669	49.7%	9,629	40	9,768	50.3%	3,517	532	5,318	401
2023	18,772	9,148	48.7%	9,116	32	9,624	51.3%	2,047	1,076	5,278	1,222

Note: Non-renewable materials include plastic, rubber, glass and metal packaging materials; renewable materials include paper and wood packaging materials.

3. Environmental Protection

Case: Our healthcare service institutions promoted "plastic ban" measures to further support the building of "waste-free cities"

After proposing the national goal of building "waste-free cities", the healthcare services segment of the Group made great efforts to explore opportunities for waste reduction, and continued to promote the "plastic ban" measures to further build "waste-free hospitals". The World Environment Day in 2023 had a global theme of "Solution to Plastic Pollution", aiming at calling for reducing the use of disposable plastic products and promoting the recycling of resources. Our three affiliated healthcare institutions, namely Shanghai Xingchen Children's Hospital, Shanghai Zhuoerhui and Beijing Xingyi, no longer provide disposable plastic bags, but offer fully biodegradable environmental protection bags or paper bags to broaden patients' awareness of "plastic ban" and promote the green urban development. The measures not only facilitate patients to pack drugs, but also reduce plastic pollution from the source. During the Reporting Period, the healthcare services segment reduced the use of more than 42,000 plastic bags of different sizes, which is equivalent to over 300 kg of plastics.

3.2.6 Biodiversity

The Group has always attached great importance to biodiversity protection around us and paid close attention to the relevant local government policies. We have no activity, product and service that has a significant impact on biodiversity, and no office, business premise and industrial plant that is located in nature reserves or biodiversity-rich areas outside nature reserves. We do not destroy original vegetation and ecosystems, do not use protected animals for animal experiments, and do not utilize protected plants and animals as raw materials in the production process.

3.2.7 Investment in Environmental Protection

During the Reporting Period, the Group invested a total of RMB131,709,600 in environmental protection, which was mainly used for the upgrading and renovation of environmental protection treatment facilities, operation of environmental protection facilities, and waste disposal of our subsidiaries.

Segment	Investment in environmental protection (RMB10,000)
Pharmaceutical manufacturing	12,090.61
Medical devices and medical diagnosis	86.26
Healthcare services	994.09
Total	13,170.96

4. Win-win Partnership

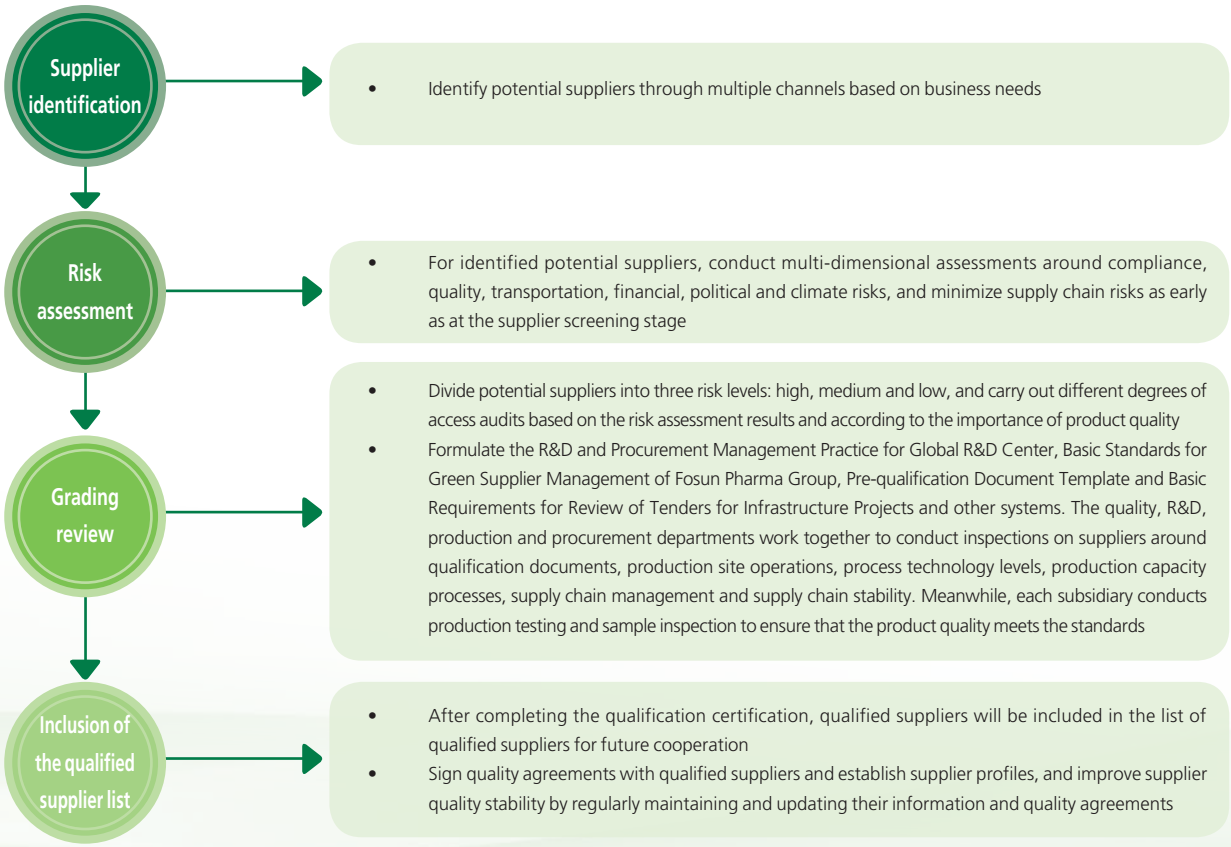
We understand the importance of good supply chain management in promoting business development. As a responsible international pharmaceutical and health industry group, the Group attaches great importance to the development of synergies with suppliers, and has always carried out business operations and upheld business ethics with high standards and strict requirements, and looked forward to cooperating with suppliers who share the same values and sense of responsibility. Adhering to the procurement principle of "legal and compliant, transparent and quality first", the Group continuously improves its supplier management system, collaborates to form win-win partnerships in the value chain ecosystem and leads the sustainable development of the industry chain.

4.1 Supplier Management

In compliance with the Tendering and Bidding Law of the People's Republic of China and other relevant laws and regulations of the place where it operates, the Group has formulated the Basic Standards for Procurement and Tender Management, the Basic Standards for Green Supplier Management (Trial Implementation) and other internal management system documents to ensure that the supplier management is standardized. The Group has established a supplier lifecycle management process, covering all aspects of supplier identification and exploration, risk assessment, qualification confirmation, comprehensive assessment and termination of cooperation, to ensure a stable and sustainable supply chain.

4.1.1 Strict Screening and Selection

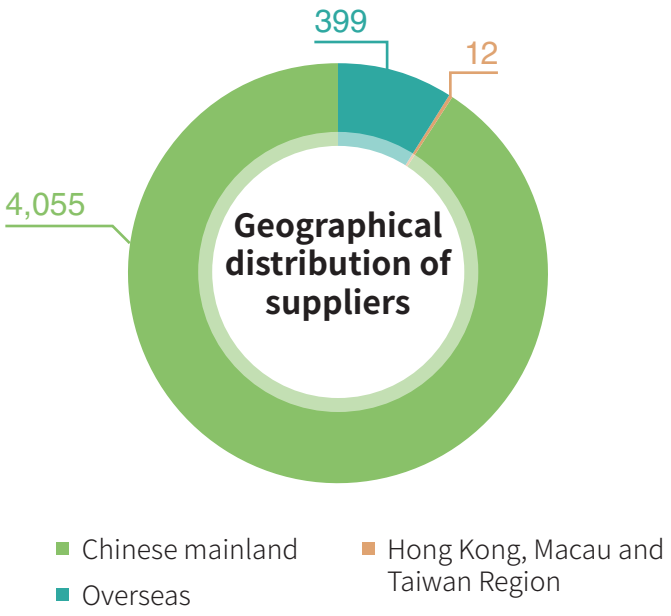
In order to ensure that the Group's products are always of high quality and standard, the Group fully integrates quality management and risk control measures at the supplier admission stage, and screens qualified suppliers from a number of links such as supplier identification, risk assessment and grading review. The Group continuously tracks supplier information and quality agreements to ensure that suppliers are capable of meeting the Group's requirements in various aspects such as product quality and performance level. The Group controls and manages suppliers in a systematic and standardized manner and continuously improves the level of supply chain management.



Supplier Screening Process

4. Win-win Partnership

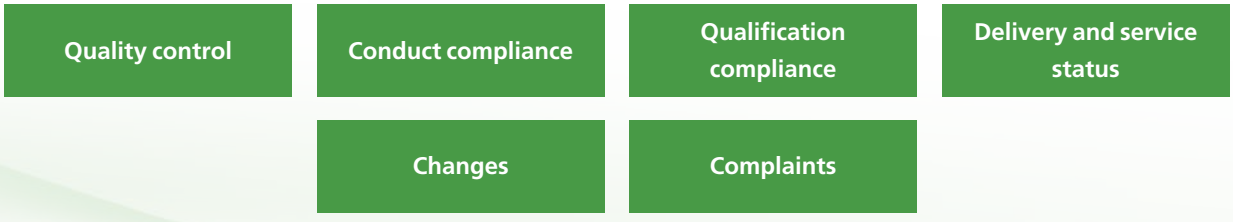
The geographical distribution of suppliers of domestic subsidiaries in the pharmaceutical manufacturing segment of the Company as at the end of the Reporting Period, is set out below:



4.1.2 Continuous Management and Control

The Group regards supply chain assessment as the focus of supplier management to comprehensively safeguard a stable material supply. After suppliers are admitted, the Group conducts performance assessment and grading review of suppliers from various dimensions, continuously tracks the performance of suppliers and promotes their continuous improvement in order to achieve win-win partnerships.

Meanwhile, the Group conducts annual audits on suppliers through, among others, qualification audit, document audit, and on-site inspection, regularly adjusts the ratings of suppliers based on the audit results, and implements targeted ongoing control measures.



Supplier Audit Dimensions

During the Reporting Period, the Group audited a total of 1,114 suppliers and rejected 58 suppliers.

4. Win-win Partnership

The audits of suppliers of the major subsidiaries in the pharmaceutical manufacturing segment in 2023 are as follows:

Company name	Wanbang Pharma	Yao Pharma	Avanc Pharma	Red Flag Pharma	Fosun Aleph	Suzhou Erye	Guilin Pharma	Shanghai Henlius
Number of suppliers under annual review	297	229	96	59	9	131	161	106
Number of suppliers involved in business for the year	488	716	96	168	58	210	261	138
Proportion of suppliers under annual review	60.86%	31.98%	100.00%	35.12%	15.52%	62.38%	61.69%	76.81%

Note: The data of Wanbang Pharma, Yao Pharma, Suzhou Erye, Red Flag Pharma and Shanghai Henlius includes the data of all subsidiaries.

On the basis of continuous improvement in its supplier management, the Group is committed to continuously empowering its supply chain partners. Adhering to the "quality first" procurement principle, the Group conducted product quality and safety training targeting all suppliers based on the supplier assessment results and the weak points identified in the audit, and increased training frequency according to supplier classification during the Reporting Period. At the same time, we also continued to track standard requirement and latest information about product quality, and shared them with suppliers in real time to assist them to interpret relevant meanings and requirements, thereby maintaining their industry knowledge sensitivity.

We communicate the Supplier Code of Conduct, the Anti-Commercial Bribery Agreement and the Supplier Quality Requirements to all suppliers once annually in order to encourage compliance.

Training materials for suppliers

4.2 Sustainable Supply

The Group attaches great importance to sustainable development of the supply chain. It enhances the competitiveness of its supply chain through implementing green supply chain projects and safeguarding the stability of the supply chain. The Group has made good achievements in terms of ensuring supply, improving efficiency, and jointly building green supply chain ecology. In the future, we will promote consistent innovation in business management and build a benign ecosystem composed of customers, enterprises and suppliers through continuously exploring innovation and reforms in the supply chain.

4. Win-win Partnership

4.2.1 Responsible Supply

We regard "responsible procurement" as an important supply chain management goal, and expect to promote the sustainable development of the whole supply chain through own industry influence. We work with our suppliers to focus on sustainability issues in the supply chain. The Company and some subsidiaries has served as the governing unit of several trade associations, and actively responded to the requirements of the associations for enterprise supply chain risk assessment and management to manage and control supply chain ESG risks. While adhering to the procurement principle of "quality first" and strengthening supply chain quality control, the Group has integrated ESG requirements into the supplier management process, striving to build a high-quality and sustainable supply chain.

The Supplier Code of Conduct formulated by the Group sets strict and clear requirements for suppliers' ESG performance, and it is applicable to all relevant personnel including suppliers, service providers and contractors. The Group will publicize and promote the implementation of the system to such personnel. The Supplier Code of Conduct covers the following aspects:

Topics Covered by the Code of Conduct of Suppliers

We always take honesty and trustworthiness as the criterion of business operation. In order to jointly build fair, just and transparent supply chain partnerships, the Group attaches great importance to integrity and compliance in the supply chain, and anti-corruption is included in the screening criteria from the supplier admission stage. After cooperating with suppliers, the Group conducts regular follow-up inspections of key suppliers according to the audit plan to ensure compliance in the procurement and use of materials, as well as in the performance of duties by supervisory personnel, and conducts random inspections of documents such as procurement files, contracts, and financial payments from time to time to ensure compliance and promote transparent cooperation.

The Group has specified the reporting and complaint methods for non-compliant supplier behaviors in the Code of Conduct of Suppliers, and encourages all stakeholders to report suppliers' violations or suspected violations of the Code of Conduct of Suppliers through these channels:

Whistle-blowing channel	Contact information
Fosun Pharma's Centralized Procurement and Procurement Management Department	Telephone: +86 21 33987286 Email: ep_procurement@fosunpharma.com
Fosun Pharma's Anti-Corruption Supervision Department	Telephone: +86 21 33987226 Email: lianzhengdc@fosunpharma.com
Reporting Portal	www.fosunpharma.com

For suppliers who violate the Code of Conduct of Suppliers, the Group has set different punishment measures according to the degree of violation. Suppliers with serious violation will be permanently banned from cooperating with the Group. With the joint efforts of the Group and suppliers, during the Reporting Period, the Group dealt with a total of 35 violations by suppliers, representing a decrease of 14.63% compared with the previous year.

4. Win-win Partnership

4.2.2 Supply Chain Stability

The Group values the construction and investment of sustainable development of the supply chain and the safeguard of smooth and stable supply chain as the cornerstone of the orderly development of production and operation activities of enterprises. In order to continuously optimize and maintain the stability of the supply chain, the Group has extended the management of the supply chain from the early stage of procurement to all aspects of production, optimizing planning, stabilizing supply and ensuring the safety of material supply.

Considering the fluctuations in supply chain stability caused by geopolitics, pandemic control and other factors in recent years, the Group has continued to promote the multi-sourcing and localization of core materials to support product stability, accessibility and sustainability. Through comprehensive market research and sourcing, Yao Pharma, a subsidiary, has promoted the localization and substitution of imported auxiliary materials such as imported starch and microcrystalline cellulose, which has resulted in a significant reduction in procurement costs and shortened the delivery cycle from 90 days to 30 days.

Supply Chain Stability Management			
• Ensure the stable supply in every procedure in production cycle (including raw materials, auxiliary materials and packaging materials). Ensure that there are two to three qualified suppliers in different regions for each material.	• For materials featuring a high supply risk, reasonably establish inventory (to meet the production needs of half a year to one year) and carry out dynamic management.	• For exclusive supply materials, increase the frequency of on-site audits or build a backup base.	• Improve the accuracy of future order forecasts.

4.2.3 Green Supply Chain

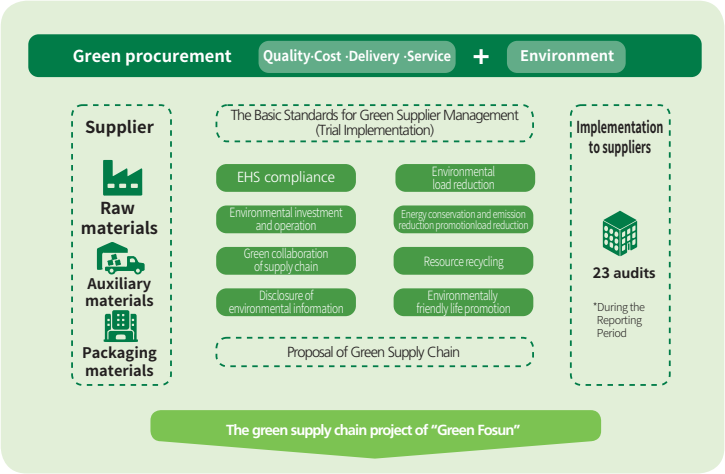
The Group has been deeply engaged in its green supply chain project for many years, leading the Company and its subsidiaries to improve their EHS standards and promote a healthier and more sustainable supply chain ecology in the industry as a whole. We attach equal importance to both "environmental awareness" and "economic development" in order to realize the sustainable development of the industry chain. The Group hopes to work closely with outstanding partners to build a responsible supply chain system through win-win cooperation in an innovative manner, so as to make the supply chain of the entire industry more sustainable and greener.

During the Reporting Period, the Group carried out a total of 23 audits on green supply chain to major suppliers. Details are set out in the following table:

4. Win-win Partnership

Type	Supplier audited in 2023
API	2
Packaging materials	6
Auxiliary materials	10
Solid waste disposal	2
Hazardous waste disposal	3
Total	23

The audits were conducted on the basis of a star rating, with one star being the lowest and five stars being the highest. The results of the audits showed that all of the Group's major suppliers were rated with three stars or above, of which six were rated with three stars, eight were rated with four stars and nine were rated with five stars.



In order to better promote the continuous improvement in ESG in the upstream and downstream supply chain operations, the Group started to explore the audits of Tier 2- sub suppliers in 2023. In November 2023, the Centralized Procurement and Procurement Management Department of the Company and the EHS Management Department, the Branding and Public Relation Department and the related subsidiaries completed the ESG-related audits of its supplier of borosilicate controlled injection bottles and its corresponding sub-supplier.

On-site audit of sub-supplier

At the same time, the Group has gradually introduced ESG scoring items for supplier selection from relevant types to examine a supplier's own sustainability in terms of ESG and their compatibility with the Group's ESG objectives. During the Reporting Period, in the selection of suppliers for pharmaceutical outsourcing materials, the Group assessed a supplier in terms of quality, environment, occupational health and safety system, external ESG ratings/certifications, and the supplier's ESG systems and initiatives, with the ESG assessment component accounting for 8% of the technical score.

4. Win-win Partnership

4.3 Membership in Associations

List of major national-level associations or social institutions in which the Group participated

Name of association	Position held	Participants from the Group
China Association for Public Companies	Vice chairman	Fosun Pharma
China Pharmaceutical Industry Association	Vice chairman, member, member	Fosun Pharma, Guilin Pharma, Suzhou Erye
China Pharmaceutical Enterprises Association	Vice chairman	Fosun Pharma
China Medical Pharmaceutical Material Association	Chairman	Fosun Pharma
China Pharmaceutical Innovation and Research Development Association	Vice chairman	Fosun Pharma
China Non-prescription Medicines Association	Vice chairman	Fosun Pharma
China Society for Drug Regulation	Vice chairman	Fosun Pharma
China Research Association of Pharmaceutical Labour's Ideological and Political Work	Standing vice chairman	Fosun Pharma
China Association for Vaccines	Member	Fosun Aleph
China National Narcotic Drugs Association	Director	Guilin Pharma
China Biochemical Pharmaceutical Industry Association	Member	Suzhou Erye
Medical Laboratory Industry Branch of National Association of Health Industry and Enterprise Management	Vice chairman	Fosun Diagnosis
In-Vitro Diagnostics System Professional Committee of China Association for Medical Devices Industry	Chairman	Fosun Diagnosis
Medical Laboratory Branch of CAME	Vice chairman	Fosun Diagnosis
China Association for Medical Devices Industry	Member	Fosun Beiling
Emergency Treatment Equipment Branch of CAME	Member	Fosun Beiling
Healthcare Logistics Association of CFLP	Director	Fosun Beiling
Standardization Technical Committee of China Automotive Maintenance and Repair Trade Association	Director	Fosun Beiling
Vehicles and Medical Equipment Branch of CAME	Member	Fosun Beiling
Standardization Committee of China Association for Disaster & Emergency Rescue Medicine	Member	Fosun Beiling
Chinese Non-government Medical Institutions Association	Director, member, member	Fosun Pharma, Shenzhen Hengsheng Hospital, Wenzhou Geriatric Hospital
Art Committee of China Medical Humanities and Art Troupe	Director	Foshan Fosun Chancheng Hospital
China Adult Education Association	Member	Shenzhen Hengsheng Hospital
Hip Preservation Professional Committee of Chinese Research Hospital Association	Member	Suqian Zhongwu Hospital

5. Talent Development

In this era of information explosion, high quality, creative talents are most needed to overcome various complex challenges in different industries. Hence, the Group proactively studies and understands the needs of talents, and formulates talent management strategies, so as to gain competitive edges, maintain creativity and sustainable development for the Group under the current market condition.

5.1 Diversity and Equal Opportunity

It is the immutable value of the Group "to attract talent through business development, gather talent through career path, cultivate talent through work tasks, to appraise talent through work performance", which is also the key momentum to secure the long-term operation and sustainable development of enterprises. The Group fully respect the rights of its employees, provides reasonable, legitimate rights for employees, and offers employee growth platform and good work environment and atmosphere, thus realizing win-win future with employees.

5.1.1 Recruitment Management

In accordance with relevant national laws and regulations such as the Labor Law of the People's Republic of China and the Contract Law of the People's Republic of China, the Group proactively formulates a series of systems based on relevant requirements in respect of human rights protection under the United Nations Global Compact and the International Labour Organization Declaration on Fundamental Principles and Rights at Work, so as to ensure open, fair and equal recruitment campaign in a scientific and standard manner. The Group adheres to legal employment, and requires all employees to provide their identity information upon joining the Group, and does not employ those who do not meet the legal working age or other employment requirements. During the Reporting Period, all employees met the minimum age of employment as stipulated in relevant laws of the countries/regions where the operations were located. We have also established a mechanism to monitor our human rights policies and legally signed and implemented labor contracts to ensure the effective implementation of our human rights policies. Once any violation of human rights policies and employment regulations is identified, the Group will take timely corrective and punitive measures, and terminate the labor contracts of those who do not meet the employment requirements.

The Group attaches great importance to employee diversity, and focuses on the introduction and cultivation of local talents for subsidiaries of the Company, aiming to create diversified, inclusive and fair work environment. By adhering to the principles of compliance, equal and inclusive, equal wages at the same positions, the Group has formulated the Employee Diversity Policy, which ensures that the employment, remuneration and promotion of employees are not affected by race, color, gender, religion, nationality, disability, marital status, veteran status, sexual orientation, gender identity or other status protected by law. Moreover, the Group encourages culture exchange and collision through internal exchange and mobilization. For newly acquired subsidiaries, the Group focuses on retaining local talents, proactively formulates talent retention plan and implements the same according to laws. The ESG Committee of the Company regularly monitors data of employee diversity and reports to the Board. The Board shall review relevant contents at least once a year.

The Group conducts diversify training for all employees at least once a year. During the Reporting Period, we had conducted diversity special trainings to help employees understand the corporate diversify principle, thus promoting the building of diversified culture.

5. Talent Development

Case: Special Training on "What is Diversity, Inclusive and Sense of Belonging (DIB)"

In September 2023, the Group initiated the special training under the theme of "What is DIB (Diversity, Inclusive and Sense of Belonging)?" for all employees (including part-time staff, interns and contractors). Training was conducted offline and online. While offering personalized learning opportunities for employees, the training also helped employees to explore and develop their potential, and enhance work efficiency and quality so that employees can adapt to the ever-changing work environment and challenges. In addition, it can help employees to better understand and respect different cultural backgrounds, and the value, philosophy and code of conduct under these backgrounds, thus building a more open, inclusive and efficient organization to attract and retain talents from different backgrounds.

DIB Special Training

Staff Structure

As at the end of the Reporting Period, the Group had a total of 40,370 employees, representing an increase of 5.13% as compared to 2022. The percentage of female employees to total employees was 49.53%, and 39.7% of middle-level management was female employees. There were 7,666 overseas employees, 156 disabled employees and 1,220 minority employees. Specific details are as follow:

		Gender	
Year	Total employees	Male	Female
2023	40,370	20,375	19,995
2022	38,399	19,785	18,614
2021	36,279	18,858	17,421

5. Talent Development

Year	Item	Total employees	Female employees	Disabled employees	Minority employees
2023	Number	40,370	19,995	156	1,220
	Proportion	100.00%	49.53%	0.39%	3.02%
2022	Number	38,399	18,614	89	1,115
	Proportion	100.00%	48.48%	0.23%	2.90%
2021	Number	36,279	17,421	83	1,117
	Proportion	100.00%	48.02%	0.23%	3.08%

During the Reporting Period, the employee turnover rate[1] of the Group was 13.02%, representing a decrease of 2.93 percentage points as compared to last year.

5.1.2 Staff Caring

Apart from taking into consideration of the impacts of external factors on employees, the Group also strives to create a warm, harmony, equal and caring work environment. By continuously improving staff welfare and caring system and launching diversified staff activities, the Group strengthens the cohesion of employees and enhances their sense of belonging. We care about staff benefits and continuously to improve various welfare and benefits for all employees. In compliance with requirements under laws and regulations of countries or regions where the enterprise is located, the Group provides various welfare for employees, including social insurance, housing provident fund (not classify as local legal welfare in certain countries or regions, same applies below), statutory public holidays and paid leaves, and offers additional specific internal welfare on this basis such as travel subsidy and additional insurance etc., so as to protect the all-rounded mental and physical health of employees.

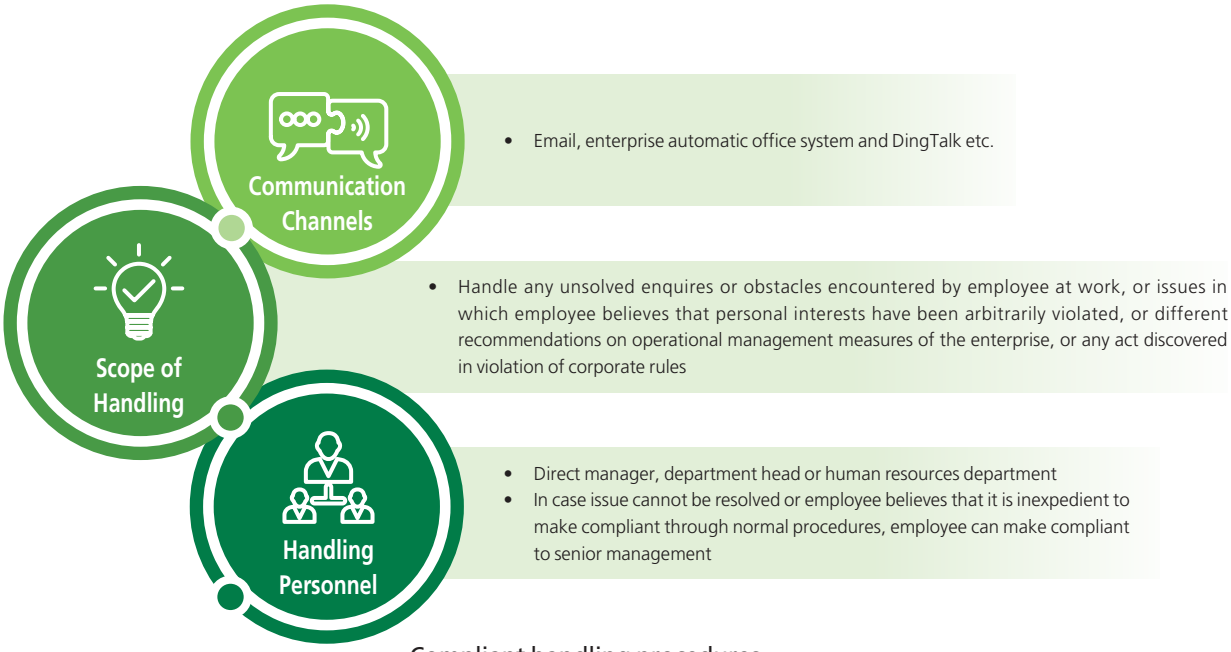
Statutory welfare	Specific internal welfare
Holiday: • Welfare for statutory public holiday • Statutory holiday such as paid leave, marriage leave, pregnancy leave, maternity leave, breastfeeding leave, paternity leave and personal leave etc. **Insurance:** • Social insurance including basic pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing provident fund **Other statutory welfare**	**Supplemental insurance:** • Personal accident insurance, critical illness insurance, traffic accident insurance and supplemental medical insurance etc. **Subsidy:** • Travel subsidy, communication subsidy, lunch subsidy and cooling gifts for high-temperature condition **Child-care related welfare:** • Nursery room **Other welfare:** • Supplemental provident fund, only-child allowance and condolence gift • Body check, health consultation, team building, retired employee caring, assistance to employees in difficult times etc.

Note 1: The employee turnover rate = Total number of employees leaving the company*2/ (total number of employees at the beginning + end of the period)

5. Talent Development

5.1.3 Staff Communication

The Group always respects the appeal and hearing rights of employees and offers an unimpeded channel for them to complain and express their opinions. The Group also takes measures to keep confidentiality and safeguard employees from retaliation. The Group revised the "Reward and Punishment and Appeal Management System" in 2019, and set up a disciplinary committee and a secretariat of the Disciplinary Committee to improve the appeal mechanism and appeal process involving disciplinary incidents. We provide necessary convenience for employee appeals and protect the complainant's reasonable claims and legitimate rights and interests, and keep relevant information and content of the complainant confidential. In addition, we also expressly stipulate in our employee handbook that direct managers of each department, staff of human resources department and senior management shall assist grass-root employees of the Group in providing employee satisfactory survey, labor protection, career planning and work compliant where necessary, so as to ensure enquiries from employees are handled efficiently.



Compliant handling procedures

Labor Union Communication

We treat the labor union as the communication hub between the management and grass-root employees. All employees of the Group are entitled to join and organize labor union in accordance with laws, and have the rights on negotiation of collective bargaining agreement.

5. Talent Development

Employee Satisfaction

Employee satisfaction is the top priority of the Group. We strive to create a work environment which is full of happiness for our employees. In order to clarify the direction of organizational construction, we require all subsidiaries to conduct satisfaction survey every year.

Employee satisfaction and engagement survey is targeted on all employees of the Group. The engagement survey covers six aspects, including organization environment, management method, job duty, remuneration and performance, career development and engagement performance, so as to fully understand the core competitiveness and future key areas of improvement under the organizational management of the Group. Upon timely discussion within the human resources department, in combination of the feedbacks from employees, we optimize key directions in a timely manner, and formulate staff management plan and satisfaction enhancement plan for the coming year, thus creating a better work environment for employees.

5.2 Development of Human Capital

Centering on the talent management strategy of "pursuing a high degree of harmony and unity between personal success and corporate development", the Group initiates talent cultivation program. We always believe that diversified talent training resources are essential for staff development, as well as the core competitiveness of the enterprise. Hence, the Group formulates flexible welfare policy and continues to improve talent incentive system. Taking top talent cultivation and team building as our missions, we continuously attract and retain top talents with excellent performance and high potential.

5.2.1 Diversified Recruitment

The Group forecasts the recruitment needs of different departments every year. It proactively explores talent market and attracts talents by conducting various unique recruitment programs. During the Reporting Period, the Group launched different programs such as Star YAO program and Honghu Program, which further reflected our demand for new diversified talents and encouragement for the introduction of more outstanding talents.

Star YAO Program

- Covering graduate traineeship program in functional departments of the Company. The project targets all outstanding fresh graduates (including bachelor, master, doctor), provides cross-enterprise and cross-functional job rotation training plan and fast promotion channels within 3 years, thus offering key dynamics for the cultivation of middle-level management and outstanding business personnel for the group.

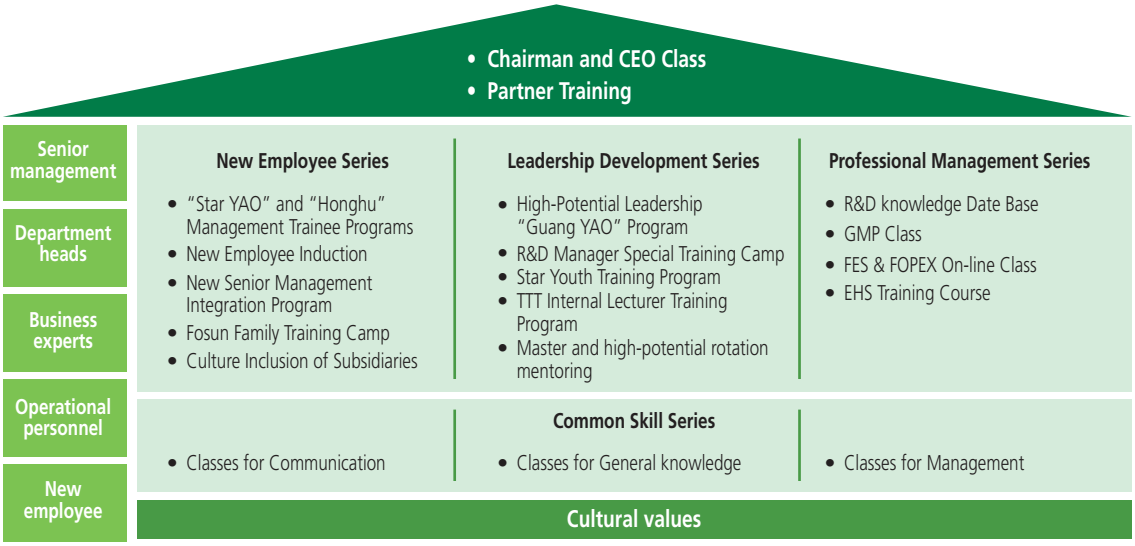
Honghu Program

- Targeting top fresh doctoral graduates majoring in biomedicine. The trainees will be taught and trained by the outstanding investment team of the Group, thus further strengthen the talent pool of the Group in terms of high technologies.

5. Talent Development

5.2.2 Talent Training

The Group has established relatively comprehensive talent training system. Taking "New Employee Series", "Leadership Development Series", "Professional Development Series" and "Common Skill Series" as breakthrough, the Group continues to offer capability building and skill training platform for all employees, which is in line with the corporate culture and development strategy of the Group.



New Employee Training	• We provide sound introduction training, executive luncheon and panel roundtable seminar for each new employee of the Company, and continuously monitor and offer assistance to new employees within 3 months upon his/her introduction, helping newcomers integrate into our big family. • We provide the special training and development program, namely "Star YAO" Program, for new management trainees, and help them to grow rapidly through trainings, rotation, mentoring and other means.
Professional Management Training	• We target on professional fields, such as manufacturing operation, lean management, innovative R&D, environment health and safety management, to organize training programs that are suitable for professional development of key personnel.
Middle-Level and Senior Management Training	• For experienced and senior management and key personnel, we offer targeted management and leadership enhancement programs, and accelerate leadership building so as to expand outstanding management talent pool. • We organize leadership enhancement projects for management of subsidiaries. In addition, we enhance knowledge and skill learning and promote corporate culture through internal mentor trainings, so as to create a learning atmosphere. • In 2023, we continued to conduct the "R&D Manager Special Training Camp" and the new "Middle-Level and Senior Management Training Program", which became one of the important ways for the Group to train its leaders in key business lines.
Common Skill Series	• We organize "Lunch Sharing Session" for all employees, and invite senior management of the Company, specialists from subsidiaries and associated companies and external experts to share interesting hot topics. • We continue to promote a variety of common skill training series such as the FoTED internal lecturer program, the internal trainer program and the cultural trainer program, thus providing professional, refined and comprehensive training programs, and helping employees to apply their knowledge, improve personal soft skills, broaden their horizons and increase their knowledge.

5. Talent Development

The Group continues to optimize new employee introduction training programs. To better help new employees to integrate into the corporate and team and rapidly create values, we initiate the following trainings:

Online training	• Leveraging on the talent development center platform of Fosun Pharma, new employees can swiftly commence learning at any time upon introduction, so as to understand general condition of the corporate and the systems and procedures of different departments
On-site training	• New employees have to attend new employee training within 3 months upon introduction, which covers key topics including corporate introduction, corporate culture, system and policy, corporate strategy and integrity operation
Department induction training	• Each department organizes induction trainings based on the business needs of the department

Case: New Employee Training (Fosun Pharma Headquarter)

During the Reporting Period, the headquarter of the Group conducted offline centralized new employee training on quarterly basis. The training covers on-site employee integration, group culture presentation, group strategy presentation, financial rule presentation, human resources system presentation and anti-corruption seminar. Through this training, the newly joined employees of the Group can understand the culture and strategies of the Group, and define the work direction. They can also learn about rules in relation to financial matters and human resources, and get familiar to work procedures. By attending anti-corruption seminar, new employees should strictly follow the compliance baseline.

5. Talent Development

Case 1: "Guang YAO" Program for high-potential Leadership development training (Fosun Pharma Headquarter)

High potential talent reserve is the "strategic asset" of the enterprise, as well as the key for realization of the globalization strategy. This talent reserve has the potential for growth, but shall be empowered through leadership development programs to accelerate growth pace and take key responsibility within the organization as soon as possible.

The "Guang YAO" Program for high-potential leadership of Fosun Pharma targets on enhancing core leadership of middle-level management, thereby creating talent pool for future senior management. A total of over 40 trainees participated in the program, covering middle-level leaders of Fosun Pharma headquarter and its subsidiaries. The plan focuses on four aspects of leadership: enhancing commercial sensitivity by learning and understanding situation, operation and mindset and habit of customers; establishing exchange platform and assisting participants to open-up themselves and stick to altruism, thus maximizing benefits; building interpersonal influence to create a winning team; exploring blind spots, deepening self-consciousness, and increasing the awareness of self-reflection and learning. In addition, the plan also arranges learning from professional aspects, such as medical industry knowledge, medical industry trend interpretation, digitalization capability and commercial operation capability.

The "Guang YAO" Program was initiated on 22 September 2023. As of January 2024, the program has arranged horizontal management class, project management class, problem solving class, action learning guide, personal learning goal analysis and others.

Training Framework of Guang YAO Program

Strengthening the training pace for middle-level power of Fosun Pharma, strategic accelerating the responsibility bearing pace of high potential team

Learning from class

- **External**
  Commercial Sensitivity, Operational Concept, Systematic Thinking, Best Decision-Making, Management Golf, Project Management
- **Internal**
  Global partner lecturer sharing
- **Online learning**

Learning from practice

- **Topic learning**
  Topic source: Bottom-up – Trainees study topic through self-learning; Top-down – Major practice topics in respect of Fosun Pharma for the year
  Learning method: Self-organized operation and trace through monthly meeting
  Inspection mode: Phasal reporting and select outstanding individual for best practice

Learning from exchange

Operational expert roundtable seminar	Internal industry benchmark medical enterprise visit	External cross-industry enterprise visit

5. Talent Development

Case 2: Graduate Traineeship Programs – "Star YAO" & "Honghu" Programs (Fosun Pharma Headquarter)

The management trainee programs are hosted by the human resources department, which, together with different business lines under the headquarters, jointly create an excellent career path for new employees with high potential. New management trainees cam improve their expertise and leadership through this platform, and obtain knowledge in different aspects through sharing and learning sessions, making them becoming high-potential management talents of Fosun Pharma. At present, "Star YAO" Program covers management trainees under functional departments of Fosun Pharma Headquarter, while "Honghu" Program covers management trainees in investment business line. In particular, following 1.5-year of training covering empowerment, duty report, job rotation, overseas assignment and other aspects, the 2022 management trainees will commence work in their respective positions in mid 2024.

5. Talent Development

Case: R&D Manager Special Training Camp

Over the years, the competition in pharmaceutical industry has been intensifying. There is higher demand for further improvement in R&D speed and quality. The scale of Fosun Pharma Global R&D Center has been expanding, and the requirements on the expertise of R&D personnel become higher. Under this backdrop, Fosun Phrama Talent Development Center and Global R&D Center jointly organized the R&D Manager Special Training Camp, aiming to train versatile talents with excellent skills in both speciality + management under the R&D sector of the Group, thus building a solid talent pool for progression of R&D projects.

The special training camp ended in February 2023. Trainees made group presentation on themes selected on their own, and senior management of the Company and Global R&D Center commented on their presentation, heating up discussions. Through this training, trainees can enhance their expertise, improve their management capability, learn about whole R&D process on-site, break barriers within the team, and build up awareness on the whole R&D process.

The development and enhancement of professional skills of all employees are vital drivers for the long-term development of the Group. Hence, we have arranged educational enhancement and vocational qualification certification programs for all employees, thereby encourage employees to improve their professional skills with practical actions, thus growing along with the Company.

We have commenced a series of educational enhancement and vocational improvement projects, including:

- On-the-job postgraduate student training program – "Pharmacy" Seminar
- Professional skill program for functional personnel
- Short-tem skill enhancement program for factory worker

5. Talent Development

The Group's training during the Reporting Period is as follows:

Indicators	2023
Total training expenses	RMB7.56 million
Average training hours per person	45.0 hours
Percentage of employees trained[1]	74%
By gender	
Percentage of male employees trained	76%
Percentage of female employees trained	72%
Average training hours per male employee	45.6 hours
Average training hours per female employee	44.2 hours
By employment level	
Percentage of senior management trained	79%
Percentage of employees trained except senior management	73%
Average training hours per senior management	35.2 hours
Average training hours per employee except senior management	45.1 hours

5.2.3 Talent Incentive

With the consistent implementation of the talent management concept of "assessment by performance", the Group is committed to improving the multi-dimensional performance appraisal mechanism for employees and providing comprehensive incentive measures to ensure the long-term steady development of the Company.

Performance and remuneration

In accordance relevant laws and regulations, the Group implements individual performance management and assessment system for all operational employees (including non-officer employees and non-sales employees) to ensure that each employee enjoys same remuneration in same position and has a fair and just opportunity for promotion. We have set up a remuneration structure comprised of fixed salary and variable income. The overall performance management system focuses on system building, implementation and performance results, thereby fully analyze the qualification, capability and performance of employees.

Under the performance management system, through various performance appraisal methods such as employee performance appraisal and 360-degree competence evaluation mechanism, employee appraisal and evaluation are conducted in multiple aspects, including but not limited to employees' learning ability, leadership, execution, experience and analysis ability. We conduct management by department, set specific evaluation cycle goals, and implement specific development plan and improvement proposal for different departments. This not only helps employees to better understand their own abilities, but also enables the Group to formulate future performance plan in a better way. Moreover, in addition to taking KPI as major performance appraisal indicator, we also continue to promote OKR (objective key result), aiming to link team and individual goals and activities to assist the Group in achieving strategic goals.

We provide incentive remuneration that linked with individual work performance for all employees (including non-officer and non-sales employees), so as to encourage employees to improve their competence and work performance, thereby helping the Group improve its efficiency targeting all employees targeting all employees.

Note 1: Excluding EHS training, R&D training, relevant trainings in ESG cultural month (such as commercial ethics training, responsible marketing training, product quality and safety training, employee diversify training targeting all employees.)

5. Talent Development

Performance feedback mechanism

Apart from focusing on performance appraisal mechanisms, the Group also provides timely, comprehensive feedback to employees. During the evaluation, leaders and managers provide guidance, counseling and encouragement to employees. Moreover, the management carries out continuous tutoring and communication through monthly/quarterly review, official and unofficial talks, so as to provide employees genuine, direct opinions and recommendations.

Equity incentive

We have established a set of diversified, multi-dimensional incentive mechanism to share our development results with employees, thus enabling employees to enjoy the sense of career achievement, making them willing to contribute their power for the development of the Group in long run.

Based on the characteristics of the Group's business development, we have established a framework of the long-term incentive system of Fosun Pharma Group, including a multi-layered incentive structure comprising the Long-term Incentive Plan for Operational Team of Subsidiaries/Hospitals, Restricted Stock Incentive Plan, Employee Stock Ownership Plan (ESOP), R&D System Project Incentive Plan, Incentive Plan for Strategic Holding/Investment Items and BD Incentive Plan etc. Through continuous improvement of the Group's long-term incentive systems, it has realized the strategic support and originality for business development. In particular, while improving R&D quality and efficiency, the R&D incentive plan also fully encourages and stimulates the enthusiasm of employees.

After long-term management and practices on equity incentive, the remuneration and incentive system of the Group has fully covered the Company and each subsidiary, effectively supporting investment and operation strategies, and promoting the achievement of long-term performance goals of the Group.

5.3 Occupational Health and Safety

Major action and strategy

- To conduct risk assessment, establish SOP and emergency response system, and formulate and implement staff training
- To conduct potential hazard investigation and management, promote good practice and create safety culture

Five-year EHS strategic goals for 2021–2025

- Occupational death and major injury incident: Zero occupational death and zero major injury incident
- Lost time injury rate: Maintain an annual lost time injury rate for per million work hours in 2021–2025 at 0.3 and below
- Recordable incident rate: Recordable incident rate in 2025 decrease by 10% as compared to 2020, i.e. 0.447

5. Talent Development

Completion of performance goals

Performance indicators	2023 (Target VS Actual)	Fulfillment of goals under 5-year strategic goals in 2023
Occupational death and major injury incident	0 VS 0	Fulfilled
Lost time injury rate	0.268 VS 0.104	Fulfilled
Recordable incident rate	0.465 VS 0.193	Fulfilled

In accordance with laws and regulations such as Work Safety Law of the People's Republic of China, Fire Control Law of the People's Republic of China and Law of the People's Republic of China on Prevention and Control of Occupational Diseases, as well as the requirements under ISO45001 management system, the Group formulates management requirements on the occupational health and safety works of its subsidiaries, and supervises implementation thereof. The EHS management always adheres to the management philosophy of PDCA, thus achieving continuous improvement in occupational health and safety management.

The Group continues to conduct the certification work of ISO45001 occupational health and safety management system, and subject to annual tracking and review. As at the end of the Reporting Period, the Group has a total of 25 companies passing ISO45001 occupational health and safety management system and/or safety standardization review certification. In addition, the EHS department of the Company conducts annual internal audit to carry out in-depth inspection on safety and occupational health, thereby identifying problems and making rectification. Over the past three years (including the Reporting Period), there was no occupational death within the Group, and the lost time injury rate and recordable incident rate met the safety goals for the year.

Overview of Certifications on Health and Safety Systems and Standard Certification of Major Subsidiaries

Enterprise name	Type of certification	Enterprise name	Type of certification
Yao Pharma	ISO45001	Wanbang Jinqiao	ISO45001
Carelife Pharma	ISO45001, Class II Safety Standardization	Zhaohui Pharma	ISO45001, Class II Safety Standardization
Dongting Pharma	ISO45001, Class III Safety Standardization	Wanbang Folon	ISO45001, Class II Safety Standardization
Fresenius Kabi (Wuhan)	ISO45001	Wanbang Tiansheng	Class III Safety Standardization
GSK (Suzhou)	Class III Safety Standardization	Avanc Pharma	ISO45001, Class III Safety Standardization
Hexin Pharma	Class III Safety Standardization	Fosun Aleph	Class III Safety Standardization
Jiluohua Pharma	Class III Safety Standardization	Shine Star	ISO45001
Guilin Pharma	ISO45001	Dengrui Fertilizer	ISO45001, Class II Safety Standardization
Suzhou Erye	ISO45001, Class II Safety Standardization	Shanghai Henlius	Class III Safety Standardization
Shandong Erye	ISO45001, Class III Safety Standardization	Gland Pharma	ISO45001
Red Flag Pharma	ISO45001, Class III Safety Standardization	Fosun Diagnostics	Class II Safety Standardization
Chemo Biopharma	ISO45001	Fosun Beiling	ISO45001
Wanbang Pharma	ISO45001, Class II Safety Standardization		
Total	ISO45001 certification: 18 enterprises; safety standardization review: 17 enterprises		

5. Talent Development

5.3.1 Safety Management

Risk Control

Adhering to the policy of "safety first, prevention dominated, comprehensive governance", the Group strengthens and implements the primary responsibility of safety production of enterprises, and establishes corporate accountability and employee engagement mechanism. The Group requires its subsidiaries to abide by state and local laws and regulations, rules and regulatory standards in respect of safety production, enhance safety production management, establishes rules and regulations of safety production and promote standardization of safety production. By conducting risk assessment, the Group establishes SPO and emergency response system, and plans and arranges staff trainings. While initiating potential hazard inspection and rectification, the Group promotes good practices, builds safety culture and enhances safety production level. In terms of contractor management, the Group takes strict risk management measures in the whole business process of contractors from the aspects of contractor selection, contract notification, admission requirements, training, process supervision and performance appraisal.

Adhering to the concepts of "one position with two responsibilities, and production management must include EHS management" and "employees are both EHS contributors and EHS beneficiaries", every manager and frontline employee of the Group actively participate in all aspects of risk control. Each subsidiary fully identifies and evaluates the general and major risks in personnel, equipment, procedures, environment and management through hazard identification and evaluation control procedures and special self-inspection checklists, and adopts corresponding measures according to different risk levels.

Case: EHS Management Month Activity — Safety Training Camp

The safety training camp lasted for four days, covering two themes of "general safety" and "procedure safety". Safety management staff from over 20 subsidiaries participated in this training. In general safety training, centering on elements of "contractor management, fire operation, limited space operation and chemical management", the trainees conducted system management and analysis based on external accident cases. In respect of procedure safety session, external lecturers were invited to conduct professional training and special exercise on modules of "dangerous fire and explosion zone, identification of potential explosion spots and safety lifecycle management".

Safety training camp

5. Talent Development

Case: Emergency exercises

During the EHS management month in 2023, subsidiaries conducted a total of 83 emergency exercises, covering 3,748 participants. Several subsidiaries actively explored and conducted drills with government firefighting teams and companies nearby. For example, Zhuhai Chancheng Hospital Co., Ltd. undertook the emergency exercises of Zhuhai Healthcare System as observer and organizer in mid June, and carried out joint fire drill on patient evacuation and hospital transfer with public hospitals. Shandong Erye together with the firefighting team of its work park conducted joint fire drill, which enhanced the familiarity of the firefighting team on enterprise firefighting facilities and safety evacuation path, as well as the emergency handling capability of employees under emergent situation.

Emergency exercises

Accident Control

During the Reporting Period, the Group conducted major inspection on hidden dangers. It always emphasizes that accidents and potential problems should be nipped in the bud at the early stage. The Group has organized the study of typical external accident cases to achieve the accident warning effect of preventing accidents before happen. On the basis of in-depth study of the causes of external accidents, subsidiaries are required to conduct timely self-examination and self-inspection of hidden internal dangers, so as to achieve comprehensive investigation and removal of similar hidden dangers.

The Group shall take effective controlling measures in time after the accident to prevent the accident expansion and reduce losses. Upon the end of the accident, the Group shall analyze the direct, indirect and root causes of the accident in multiple aspects and dimensions including "human, machine, material, law, environment and management", formulate and implement corrective and preventive measures, and share the accident cases as valuable experience among subsidiaries, in order to prevent the recurrence of similar accidents.

During the Reporting Period, the Group had no major safety incidents or major fire incidents occurred and the overall security situation remained stable. There were seven lost time injuries throughout the year. The Group's annual lost time injury (LTI) rate (excluding lost time of outsourced workers) was 0.104, of which the major injury case rate is 0 and the minor injury case rate is 0.104. During the Reporting Period, there were 13 recordable incidents, with the recordable incident (RI) rate was 0.193. Based on the domestic accident injury classification, there were 13 recordable incidents, 3 of which were caused by machine injury and burning, 2 of which were caused by collision, 1 of which was caused by falling over, and 4 of which were caused by other injuries. Among all recordable incidents, there were 3 female employees. During the Reporting Period, there were no safety incidents and secondary disasters arising from natural disasters, nor fatality and major injury or more serious incidents of contractors.

5. Talent Development

Key safety performance

Year	Major injury rate per million working hours	Minor injury rate per million working hours	LTI rate per million working hours	RI rate per million working hours
2016	0.220	0.360	0.580	1.050
2017	0.030	0.385	0.415	0.915
2018	0.038	0.188	0.226	0.433
2019	0	0.343	0.343	0.395
2020	0.033	0.280	0.313	0.494
2021	0	0.170	0.170	0.355
2022	0	0.101	0.101	0.202
2023	0	0.104	0.104	0.193

Notes:

1. The GB6441-86 Classification for Casualty Accidents of Enterprise Staff and Workers and OSHA international standard are applied to the classification of incidents. The data disclosed in this report includes OSHA lost time injury and recordable incident (namely the incident that requires a prescription from a hospital or more serious incident).

2. Incident rate = Number of incidents/Total working hours * 1,000,000 hours.

Safety by segments

Business segment	Total working hours (hours)	Including							Number of contractor's major injury and fatality incident
		Number of LTI	LTI rate	Major injury case rate	Minor injury case rate	Number of Lost day	Number of RI	RI rate	
Pharmaceutical manufacturing	48,072,505	6	0.125	0	0.125	199	12	0.250	0
Medical devices and medical diagnosis	2,679,982	1	0.373	0	0.373	98	1	0.373	0
Healthcare services	16,461,476	0	0	0	0	0	0	0	0
Total	67,213,962	7	0.104	0	0.104	297	13	0.193	0

5. Talent Development

Case: Inspection and rectification on major hidden dangers

In early 2023, various inspection and rectification activities on major hidden dangers were conducted at state level. Based on the different industry sectors and the respective different key areas of focus of safety control of each subsidiary, the Company imposed different targeted requirements on hidden danger inspection for subsidiaries, and conducted law study and self-inspection on hazardous chemical company, trading company, firefighting and special equipment. Based on actual situation, subsidiaries conducted risk assessment and inspection on hidden dangers according to each item under the checklist of hidden danger inspection, and formulated and implemented effective prevention measures. Hidden danger inspection has always been an important task of EHS management of the Company and subsidiaries. This not only helps identify hidden danger of safety incident but also spots out the management leaks causing hidden dangers, thus achieving "double zero" in hidden danger and management leak. Each subsidiary will continue to focus and inspect on production procedures, aiming to achieve dynamic zero of hidden danger for major safety accident.

Inspection and rectification on major hidden dangers

5. Talent Development

EHS Employee Representatives

During the Reporting Period, EHS Committee of the Group conducted phasal communication and EHS work review. The EHS work meeting of the Group was convened on quarterly basis, thereby fully advancing and monitoring the commencement and implementation of various EHS work. Meanwhile, subsidiaries successively established their EHS special committees and EHS elements groups as sub-committees. The employee representatives proposed to be 1-2 employee(s) from the non-front-line functional departments and 1-2% of employees from the front-line production departments, and regular meetings were held every quarter. During the Reporting Period, the number of sub-committee members reached 1,219, accounting for 4.24% of the total number of employees. 322 employee representatives supervised or participated in EHS work, accounting for approximately 1.12% of the total number of employees.

EHS Committee of the Group

1. Supervise the construction of EHS management team, cadre team and institution;
2. Establish a reporting system for major accidents, arrange and direct the handling, investigation and analysis as well as rectification and prevention of major safety production accidents and environmental pollution incidents;
3. Listen to annual EHS work report on regular basis and put forward specific work requirements;
4. Set the Group's annual or periodic EHS performance target indicators and review the progress regularly;
5. Organize internal investigation to identify EHS hidden dangers, and give instructions on the rectification of major EHS hidden dangers;
6. Proactively respond to the green manufacturing requirement and further advance the green manufacturing work;
7. Clarify the EHS management responsibilities at all levels of the Group, and formulate and improve the EHS responsibility systems of the Group on all fronts;
8. Express objection and exercise veto power over works that failure in protecting employees' health and safety, social and environment.

EHS Special Committee of the Enterprise

1. Formulate EHS policies and specific control targets;
2. Ensure the investment of necessary personnel, materials and financial resources for the operation of the EHS management system;
3. Regularly hold internal working meetings to review the problems in the progress and development of EHS work;
4. Coordinate the internal management resources in time to solve difficulties in the development of EHS work.

Employee Representatives

1. Participate in and supervise the implementation of EHS work;
2. Supervise enterprises to effectively ensure the due rights of employees in terms of health and safety;
3. Participate in accident investigation.

5.3.2 Occupational Health Management

Employee Health Protection

Employee health protection is one of the important tasks of the Group. In compliance with national laws and regulations such as Law of the People's Republic of China on Prevention and Control of Occupational Diseases, the Group establishes the responsibility management system for the occupational disease prevention of all employees. The Group follows the national requirements on occupational health risk warnings, individual protection, on-site supervision and sampling and employee body check in daily supervision, thus realizing the closed-loop management of occupational health. The Group strictly complies with the "three simultaneous" management requirements of occupational disease prevention facilities for construction projects, conducts risk evaluation for toxic and harmful positions, and regularly arranges occupational body check for employee who works in occupational hazards environment and keep their results confidential for employees in daily work and in contact with occupational hazards, continues to enhance occupational health protection facilities, and expands the coverage of occupational disease warning labels.

The Group strives to strengthen the physical health of employees and increase the exercising awareness, and organizes internal sports classes, including but not limited to Tai Chi class, yoga class and dance class. It has set up near 10 clubs such as dancing, running group and basketball, offering opportunities and convenience for employees to train their body and improve physical health, thus securing the physical and mental health of employees.

During the Reporting Period, the coverage of body check for employees exposed to occupational disease hazard factors was 100%. There were no newly increased confirmed or suspected occupational diseases throughout the year.

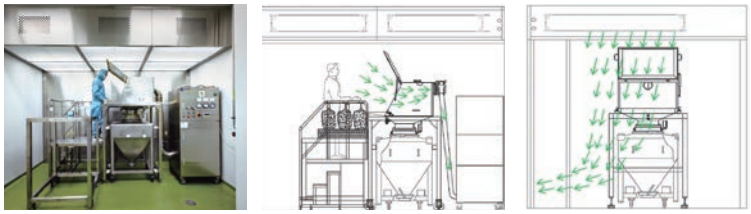
Occupational health performance by segment

Business segment	Number of employees exposed to occupational hazards	Occupational hazard factor exposure percentage	Completion rate of occupational body check	Major occupational hazard factors
Pharmaceutical manufacturing	4,233	21.49%	100%	Chemical, dust, noise, high temperature, ionizing radiation
Medical devices and medical diagnosis	165	13.04%	100%	Chemical, dust, noise, high temperature, ionizing radiation, blood infection
Healthcare services	425	5.43%	100%	Ionizing radiation
Total	4,823	16.76%	100%	—

5. Talent Development

Case: Three-level dust-free feed processing of Red Flag Pharma

In the construction of phase III solid preparation workshop of Red Flag Pharma, the triple purification measure of dust-free feeder + self-cleaning cover + room negative pressure purification is adopted in the feed processing. During feed processing, dust-free feeder maintains negative pressure within the receiving container, thus eliminating dust spilling. The self-cleaning cover can offer operator with local laminar flow purification, so as to ensure the cleanliness of the place where the operator is located and protect them from being affected by dust. At the same time, air purification system is installed in the room to ensure dust spilling from this area, thus protecting the occupational health and safety of employees.



Three-level dust-free feed processing of Red Flag Pharma

Case: Continuous flow nitrifying technology of Guilin Pharma facilitating intrinsic safety improvement of nitrifying technology

Industrial level continuous flow reactor can carry out effective, controllable continuous chemical reaction inside centimeter-level micro-channels. Large-scale product preparation can be achieved through array integration of channels. The principle is to shorten the distance of diffusion and mixing during laminar flow operation with the use of micro-channels of reactor, thus maximizing the material and energy transmission efficiency. Comparing to traditional tank reactor, the use of continuous flow reactor can facilitate nitrifying reaction, minimizing the liquid size, and enhance heat exchange efficiency by more than 10 times, thus effectively lowering the explosion risk arising from heat accumulation in nitrifying process, thereby achieving intrinsic safety.

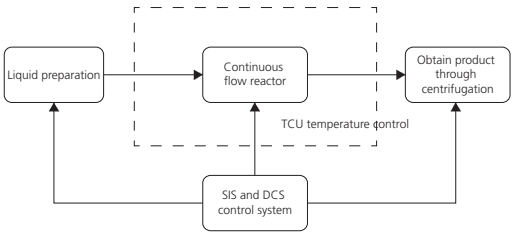


Figure: Process of continuous flow nitrifying

EHS Training

During the Reporting Period, the Group organized and participated in EHS special trainings with a total of 475,293 hours, total of 296,291 participants, average training hours per employee of 16.52 hours and average number of training per employee of 10.30. For manufacturing enterprise, the average training hours per employee reached 20.94 hours, with average number of training per employee of 13.04, exceeding the 2023 target average training hours per employee of manufacturing enterprise of 20 hours and the EHS training goal of 7 times of average number of training per employee. The Group conducts special health and safety training targeting all suppliers every year, aiming to further enhance the awareness of all employees and suppliers on safety issues. By launching extensive training activities, the Group helps employees to build and create occupational health and safety awareness and habits.

5. Talent Development

EHS Training

Year	Total hours (hours)	Total participant (attendances)	Average training hour per participant (hours)	Average number of training per participant (times)
2021	391,582	212,253	13.97	7.57
2022	468,731	274,444	15.37	9.00
2023	475,293	296,291	16.52	10.30

2023 EHS training by business segment

Business segment	Total hours (hours)	Total participant (attendances)	Average training hour per participant (hours)	Average number of training per participant (times)
Pharmaceutical manufacturing	416,471	250,243	21.25	12.71
Medical devices and medical diagnosis	22,333	23,014	17.65	18.19
Healthcare services	36,489	23,034	4.67	2.95

Case: First aid training on the use of CPR and AED

In June 2023, the EHS management department of Fosun Pharma, together with the labor union, invited first aid experts from Xuhui Red Cross to conduct the special first aid training on Use of CPR (Cardiopulmonary Resuscitation) and AED (Automated External Defibrillator) at Xinglong Bookstore. At the training, participants and experts actively exchanged with each other, and participants raised questions and actively made tries on different sessions such as theory learning, emergency case study and dummy mode operations, thus deepening their first aid knowledge, and enabling them to learn basic first aid skills.

Simulated first aid scenario with the use of dummy model

5. Talent Development

Expenditures on Occupational Health and Safety and Firefighting

During the Reporting Period, the accumulated expenditures of the Group on safety and firefighting amounted to RMB98.3003 million, mainly utilized for various upgrades and maintenance of safety and firefighting facilities of subsidiaries, as well as purchase of protective equipment for employees and other aspects.

Expenditures on Occupational Health and Safety and Firefighting by segment

Segment	Expenditures on occupational health and safety and firefighting (RMB'0,000)
Pharmaceutical manufacturing	7,364.89
Medical devices and medical diagnosis	330.79
Healthcare services	2,134.35
Total	9,830.03

5.3.3 EHS Culture Development

The Group continues to enhance the pyramid-shaped EHS cultural layout of "attention of the senior level, promotion of the middle level, and participation of all levels", to arouse full attention and enhance the EHS execution at all levels of the Group. From June to September every year, the Group conducts Month of EHS Management Activity on regular basis. During the campaign, apart from organizing explanation on relevant policies and regulations and conducting various hidden danger inspection and emergency exercises under specific themes, the Group also organizes different forms of interesting activities to promote EHS culture.

The Group insisted on the participation of the middle and senior management in the safety hazard inspection and rectification, the participation of all employees in EHS training and drills, and the active expansion of green low-carbon and energy conservation and emission reduction projects, so that EHS management and responsibilities can be achieved horizontally, vertically and individually, thereby further consolidating the EHS management of subsidiaries. After years of team building and personnel training, the Group currently has more than 100 EHS special personnel, who are distributed in subsidiaries in China.

5. Talent Development

Case: Seventh EHS Management Month of Fosun Pharma

In 2023, the seventh EHS Management Month of Fosun Pharma was conducted under the theme of "joining hands to conduct green campaign and build safety shelter". From early June to late September, in accordance with the requirements of "five guidance (五帶頭)", "five advancement (五進)" and "five points (五個一)" mentioned by the Ministry of Emergency Management during the National Safety Month in 2023, the Group conducted a series of special theme activities, aiming to achieve everyone cares about safety matters and everyone knows what to do in emergency cases. During the campaign, in addition to activities conducted under the requirements of the National Safety Month, the Group also launched the Self Rescue and Mutual Rescue Training for Practitioners and the Escape Route Map Prepared by Everyone activities. Subsidiaries have completed BBS observation of employees' safety behavior for approximately 2,000 times in aggregate. In addition, subsidiaries have completed various special inspections, such as Inspection and Rectification of Fire Operation and Other Dangerous Operations, Inspection and Rectification of Contraction, Renting and Other Operational Activities and Self-inspection on Safety Charging of Electrical Vehicle in Factory Area, and conducted emergency exercises under different themes, such as fire drill, electrocution drill, hazardous waste leakage drill, personnel poisoning drill and high falling accident drill.

The Group put great efforts in producing the Song of EHS and produced MV thereof, which was released on the 2023 World Environment Day. This not only reflects the Group's full engagement and expectation on EHS works, but also shows the support and efforts of senior management of the Group and frontline employees of subsidiaries. The song incorporates the value of Fosun Pharma on "caring about life, making innovation, pursuing lean operation and win-win cooperation". Earth is our homeland, and we should create a better environment for the joyful and healthy life of every family.

Poster of EHS Management Month

MV of Song of EHS

Scan WeChat code to view the Song of EHS

6. Social Responsibility

Insisting on the charity philosophy of "Sustainable Development of Talent and Product", the Group strives to facilitate the simultaneous development of economy and community, and gathers the power for good through every tiny action. Leveraging on our competitive edges in scientific research and innovative technologies, we continue to empower community development, and earnestly contribute power to facilitate sustainable development of society.

6.1 Community Caring

As a responsible pharmaceutical company, the Group takes "Innovation for Good Health" as its charity goal, and actively facilitates patient-orientated charity projects, thus contributing its power in protecting health of patients.

In order to actively responding and contributing to the strategy of Healthy China, the Group and Fosun Foundation jointly set up the Special Fund for Fosun Pharma Health Care Initiative. With health care, scientific research and innovation, and charitable donations as its three major directions, and by focusing on unmet medical needs, this special fund is committed to providing comprehensive and full-lifecycle healthcare services for families, serving the ultimate vision of combating human diseases and extending human life to 121 years old.

In 2023, through this special fund, the Group and Shanghai Soong Ching Ling Foundation jointly initiated the "Women Health Caring Campaign — Pink Blue Ribbon Charity Tour" in Xishuangbanna, Yunnan Province, and supported education and incentive R&D talent and innovation through Future Stars Program, Tan Jiazhen Life Science Award and other projects.

During the Reporting Period, the Group has made social donations of approximately RMB46.00 million, with social contribution value of RMB6.27 per share.

Cases: Assisting in free screening of "Two Cancers" for grassroots under the Pink Blue Ribbon Charity Campaign

On 16 September 2023, the Group and Shanghai Soong Ching Ling Foundation jointly launched the charity program of "Pink Blue Ribbon Charity Campaign" at Xishuangbanna Maternal and Child Health Hospital in Yunnan. Designed to expand the screening coverage for two primary cancers among women in Xishuangbanna and boost the primary medical level, the program offered free breast cancer and cervical cancer screening services for more than 16,000 women in Xishuangbanna. National well-known medical experts were invited to provide free consultation, training, tutoring and instructions in the locality. Meanwhile, we donated our intelligent screening solution for the two cancers to improve local medical accessibility.

On the same day, five medical experts, namely Sun Zhengkui (director of the breast surgery department of Jiangxi Cancer Hospital), Wang Lihua (director of the oncology department of the International Maternal and Infant Health Hospital of the China Welfare Institute), Wu Jiahao (director of the preventive health care department of the International Maternal and Infant Health Hospital of the China Welfare Institute), Zhou Jie (vice president of Foshan Fosun Chancheng Hospital and president of Foshan Fosun Chancheng Women's and Children's Hospital) and Gong Hairong (medical director of Shanghai Xingchen Children's Hospital and director of Fudan Pediatric Emergency Department), provided free consultation, special training sessions, tutoring and ward round services covering breast cancer, cervical cancer, pediatrics and other fields at Xishuangbanna Maternal and Child Health Hospital. The experts also exchanged views with local primary-level maternal and child health workers and the workers concerning women to understand the local medical situation, and conducted in-depth discussions on hospital management, department construction, talent cultivation and other aspects.

Cervical cancer and breast cancer are common malignant tumors among women. As females account for nearly 50% of the permanent population in Xishuangbanna, women's health has been a key agenda of Xishuangbanna government. Guided by the Health Commission of Xishuangbanna Dai Autonomous Prefecture and the Women's Federation of Xishuangbanna Dai Autonomous Prefecture, the public welfare program is expected to effectively improve the screening coverage for two primary cancers among women and the medical level in Xishuangbanna.

6. Social Responsibility

Case: Charity run for employees across the world in promoting the building of a Malaria-free world

On 25 April 2023, the World Malaria Day, the Group initiated the "Build a Malaria-free World" charity run with employees and external stakeholders from over 20 countries including Côte d'Ivoire, Uganda, Kenya, Mozambique, Angola and other African countries, as well as India and the United States. Over 1,600 people participated in the event, thereby jointly promoting the "building of a Malaria-free world" and enhancing Malaria prevention concept with actual actions.

Case: "Give Time to Life" brightens the road to treatment and recovery of cancer patients

The "Give Time to Life" Public Welfare Project for Cancer Patients was jointly initiated by Shanghai Henlius, the Cancer Rehabilitation Society of the Chinese Anti-cancer Association, the Shanghai Cancer Recovery Club and Fosun Foundation. This project commenced in 2022, and successively organized in Shanghai, Kunming of Yunnan, Xi'an of Shaanxi and Tianjin by the end of 2023. The project expressed its care on the physical and mental health of patients and delivered positive anti-cancer attitude to patients through mindfulness meditation, psychological counseling, patient art exhibition and other means. At the same time, the project also encourages the community to give more love and support to cancer patients, improves quality of life of patients in practical ways, and helps them to return to society as soon as possible.

6. Social Responsibility

6.2 Rural Revitalization

The Group actively participates in rural revitalization projects. The Special Fund for Fosun Pharma Health Care Initiative participates in the Rural Doctor Project jointly initiated by Fosun Foundation, China Guangcai Program Foundation and China Population Welfare Foundation, thereby actively bearing corporate responsibilities and brightening the ambitious blueprint of rural revitalization.

6. Social Responsibility

Case: Safeguarding health of grassroots, empowering rural doctors and supporting rural revitalization

In December 2017, under the guidance of the Leading Group Office of Rural Revitalization of National Health Commission (the former Office of Poverty Alleviation), Fosun Foundation initiated the Rural Doctor Project. This project aims to secure, motivate and empower rural doctors based on the fundamental medical protection needs of rural population. As at the end of 2023, the project covered 78 key counties receiving assistance in 16 provinces, cities and autonomous regions, with 366 person head dispatched to station in counties receiving assistance in aggregate, thereby protecting 24,000 rural doctors and benefitting 3 million rural families.

Over the years, the Group deeply involved in the Rural Doctor Project, actively supported and protected rural doctors, empowered the construction of rural medical system, promoted rural revitalization, and improved the livelihood of rural citizens.

"Hand in Hand" Rural Medical Talent Revitalization Plan facilitates the medical talent cultivation in rural areas

In 2023, the "Hand in Hand" Rural Medical Talent Revitalization Plan focused on the integration of Chinese and western medicine. Through online "Doctors' Lectures" and offline "Famous Doctors Visiting Rural Areas" campaigns, this plan gathered famous domestic medical experts in Chinese and western medicine to visit remote rural areas and commenced targeted medical assistance. By exporting medical technologies and integrating Chinese and western medicine, we practically assisted rural doctors to improve their diagnosis skills, and provided them practical knowledge and useful assistance, benefitting over 20,000 rural doctors in aggregate.

"Healthy and Heart-Warming Rural Doctor Training Base" makes the health guards of rural areas to better serve the grassroots

At the announcement ceremony of "Healthy China 2023 — Heart-Warming Rural Doctor and Head of Township Hospitals" held on 19 October 2023, Foshan Fosun Chancheng Hospital and Shenzhen Hengsheng Hospital, both subsidiaries of the Company, were granted the title of "Healthy and Heart-Warming Rural Doctor Training Base". As at the end of the Reporting Period, Foshan Fosun Chancheng Hospital has successfully conducted three sessions of rural doctor training class, with 33 rural doctors and heads of township hospitals from Yunnan, Shanxi, Qinghai, Xinjiang, Guizhou and other places successively visited Foshan to join training session. Shenzhen Hengsheng Hospital has conducted the first session of rural doctor training class, with a total 4 rural doctors and heads of township hospitals attended. During the training, the lecturers provided customized learning program for rural doctors, making them able to apply what they have learned and provide better medical services for grassroots.

Case: "Rural Winter-Warming Program" ensures vital accessibility to medications for elderly in rural areas

On 9 January 2023, the Group, Fosun Foundation and Genuine Biotech donated COVID-19 oral drug azvudine valued RMB100 million to rural areas in China. This batch of drug was donated to rural areas in central and western China in different phases, cover 180 counties.

Third Party Assurance Report

SGS ASSURANCE STATEMENT

SGS-CSTC STANDARDS TECHNICAL SERVICES CO., LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE 2023 ESG AND SUSTAINABILITY REPORT SUBMITTED BY SHANGHAI FOSUN PHARMACEUTICAL (GROUP) CO., LTD.

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION
SGS-CSTC STANDARDS TECHNICAL SERVICES CO., LTD. (hereafter referred to as "SGS") was commissioned by **SHANGHAI FOSUN PHARMACEUTICAL (GROUP) CO., LTD.** (thereafter as "Fosun Pharma") to conduct an independent assurance of the 2023 ESG and Sustainability Report of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.

INTENDED USERS OF THIS ASSURANCE STATEMENT
This Assurance Statement is provided with the intention of informing all stakeholders of Shanghai Fosun Pharmaceutical (Group) Co., Ltd..

RESPONSIBILITIES
The information and data in the 2023 ESG and Sustainability Report of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. is the responsibility of the related governance bodies such as the board of directors of Fosun Pharma. SGS has not been involved in the preparation of any of the material included in the report.

The responsibility of SGS is to express an opinion on the text, data, graphs and statements within the scope of verification with the intention to inform all Shanghai Fosun Pharmaceutical (Group) Co., Ltd.'s stakeholders.

ASSURANCE STANDARDS, TYPE AND LEVEL OF ASSURANCE
The SGS ESG & Sustainability Report Assurance protocols used to conduct assurance are based upon internationally recognized assurance guidance and standards, which including:

- The principles of reporting process contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) as:
  - GRI 1: Foundation 2021, for report quality
  - GRI 2: General Disclosure 2021, for organization's reporting practices and other organizational detail
  - GRI 3: Material Topics 2021, for organization's process of determining material topics, its list of material topics and how to manage each topic
- and the guidance on levels of assurance contained within the AA1000 series of standards and ISAE3000.

The assurance of this report has been conducted according to SGS ESG & SRA verification regulations (based on GRI Principles and AA1000 Guides). The Assurance has been conducted at a moderate level of scrutiny.

SCOPE OF ASSURANCE AND REPORTING CRITERIA

- The scope of the assurance included evaluation of quality, accuracy and reliability of specified performance information as detailed below, and evaluation of adherence to GRI STANDARDS (2021) and the Environmental, Social and Governance Reporting Guide by The Stock Exchange of Hong Kong Limited.

ASSURANCE METHODOLOGY
The assurance comprised a combination of pre-assurance research, onsite interviews with Fosun Pharma employees at Fosun Pharma's Headquarters located at No. 1289, Yishan Road, Xuhui District, Shanghai, China. Documents and records are reviewed and confirmed with external institutions and a stakeholder (one of its subsidiaries: Shanghai Henlius Biotech, Inc. at B Building, Huaxin Huixiancheng, No. 188, Yizhou Rd, Xuhui District, Shanghai) as necessary.

LIMITATIONS AND MITIGATION
Financial data in the report has been independently audited by other third party and has not been checked back to source as part of this assurance process.
This validation was conducted only on the data collected at Fosun Pharma's Headquarters, and the original data provided by its subsidiaries was not fully traced.

STATEMENT OF INDEPENDENCE AND COMPETENCE
SGS is the world's leading inspection, verification, testing and certification company. SGS is recognized as the global benchmark for quality and integrity. SGS Group is a global leader in inspection, testing and verification, operating in more than 140 countries/regions, providing services including management systems and service certification;

Third Party Assurance Report

quality, environmental, social and ethical audits and training; environmental, social and sustainability report assurance. SGS affirms that it is a completely independent organization from Fosun Pharma, and that there is no bias or conflict of interest against Fosun Pharma, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised of CSR Lead Assuror, SAI Registered SA8000 auditor, CCAA Registered ISO 9001 auditor, ISO 14001 auditor, ISO 45001 auditor and ISO 14064 verifier.

FINDINGS AND CONCLUSIONS

VERIFICATION/ASSURANCE OPINION
On the basis of the methodology described and the verification work performed, the information and data contained within the 2023 ESG and Sustainability Report of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. verified is accurate and reliable, which have provided a fair and balanced representation of sustainable development activities by Fosun Pharma in 2023.

GRI STANDARDS CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

- In our opinion, the 2023 ESG and Sustainability Report of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. is prepared with reference to GRI standards 2021 and the Environmental, Social and Governance Reporting Guide of The Stock Exchange of Hong Kong Limited.

Principles

ACCURACY
The information in Fosun Pharma's report is accurate, enabling the public disclosure of qualitative and quantitative information on a number of performances to stakeholders.

BALANCE
Fosun Pharma has made disclosure on sustainability issues based on stakeholders' expectations in a realistic manner. Fosun Pharma has actively disclosed both its positive and non-positive performance, giving stakeholders a more objective presentation of its social responsibility performance.

CLARITY
The report has adopted a variety of expressions such as text descriptions, data tables, graphs, photographs, etc., and combined case study narratives, which can be easily understood by stakeholders.

COMPARABILITY
Fosun Pharma's report discloses various relevant performance indicators for 2023, and some of the performance indicators disclose historical data, which enables stakeholders to visually compare and understand its CSR performance.

COMPLETENESS
Fosun Pharma's report essentially covers the identified material aspects and their boundaries, reflecting significant impacts on the economy, environment and society, allowing stakeholders to assess Fosun Pharma's performance during the Reporting Period.

BACKGROUND OF SUSTAINABLE DEVELOPMENT
Fosun Pharma demonstrates its sustainability efforts in economic, environmental and social terms, and presents these performances in the context of sustainable development.

TIMELINESS
Validation shows that the reported data and information are timely and valid for the reporting cycle.

VERIFIABILITY
The data and information in the report can be traced and verified.

Signed: 

For and on behalf of SGS-CSTC STANDARDS TECHNICAL SERVICES CO., LTD.

16/F Century Yuhui Mansion, No. 73, Fucheng Road, Beijing
21 March 2024

WWW.SGS.COM

Appendix I Content Index of GRI Sustainability Reporting Standards

GRI 1 Adopted		GRI 1: Foundation 2021
GRI Standard	**GRI Disclosure**	**Location**
GRI 2: General Disclosures 2021		
The Organizations and its reporting practices		
2–1	Organizational details	Company Profile & Development Strategy
2–2	Entities included in the organization's sustainability reporting	Company Profile & Development Strategy
2–3	Reporting period, frequency and contact point	About This Report
2–4	Restatements of information	About This Report
2–5	External assurance	Third Party Assurance Report
Activities and workers		
2–6	Activities, value chain and other business relationships	Company Profile& Development Strategy
2–7	Employees	Talent Development — Diversity and Equal Opportunity
2–8	Workers who are not employees	Talent Development — Diversity and Equal Opportunity
Governance		
2–9	Governance structure and composition	Responsible Operation — Corporate Governance
2–10	Nomination and selection of the highest governance body	Responsible Operation — Corporate Governance
2–11	Chair of the highest governance body	Responsible Operation — Corporate Governance
2–12	Role of the highest governance body in overseeing the management of impacts	Responsible Operation — Corporate Governance
2–13	Delegation of responsibility for managing impacts	Responsible Operation — Corporate Governance
2–14	Role of the highest governance body in sustainability reporting	Responsible Operation — Corporate Governance
2–15	Conflicts of interest	Responsible Operation — Business Ethics
2–16	Communication of critical concerns	Responsible Operation — Corporate Governance
2–17	Collective knowledge of the highest governance body	Responsible Operation — Corporate Governance
2–18	Evaluation of the performance of the highest governance body	Responsible Operation — Corporate Governance
2–19	Remuneration policies	Responsible Operation — Corporate Governance
2–20	Process to determine remuneration	Responsible Operation — Corporate Governance
2–21	Annual total compensation ratio	Relevant internal information is unavailable for now
Strategy, policies and practices		
2–22	Statement on sustainable development strategy	Talent Development — Diversity and Equal Opportunity
2–23	Policy commitments	Talent Development — Diversity and Equal Opportunity
2–24	Embedding policy commitments	Responsible Operation — Business Ethics
2–25	Processes to remediate negative impacts	Responsible Operation — Business Ethics
2–26	Mechanisms for seeking advice and raising concerns	Responsible Operation — Business Ethics
2–27	Compliance with laws and regulations	Responsible Operation — Corporate Governance Responsible Operation — Business Ethics
2–28	Membership associations	Win-win Partnership — Sustainable Supply
Stakeholder engagement		
2–29	Approach to stakeholder engagement	Responsible Operation — Corporate Governance
2–30	Collective bargaining agreements	Talent Development — Diversity and Equal Opportunity

Content Index of GRI Sustainability Reporting Standards

GRI 1 Adopted GRI Standard	GRI Disclosure	GRI 1: Foundation 2021 Location
GRI 3: Material Topics 2021		
3–1	Process to determine material topics	Responsible Operation — Corporate Governance
3–2	List of material topics	Responsible Operation — Corporate Governance
Material Topics		
GRI 202: Market Presence 2016		
202–1	Ratios of standard entry level wage by gender compared to local minimum wage	Relevant internal information is unavailable for now
GRI 205: Anti-corruption 2016		
205–1	Operations assessed for risks related to corruption	Responsible Operation — Business Ethics
205–2	Communication and training about anti-corruption policies and procedures	Responsible Operation — Business Ethics
205–3	Confirmed incidents of corruption and actions taken	Responsible Operation — Business Ethics
GRI 206: Anti-competitive Behavior 2016		
206–1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Responsible Operation — Business Ethics
Environmental		
GRI 301: Materials 2016		
301–1	Materials used by weight or volume	Environmental Protection — Environmental Management
GRI 302: Energy 2016		
302–1	Energy consumption within the organization	Environmental Protection — Environmental Management
302–3	Energy intensity	Environmental Protection — Environmental Management
302–4	Reduction of energy consumption	Environmental Protection — Environmental Management
GRI 303: Water and Effluents 2018		
303–1	Interactions with water as a shared source	Environmental Protection — Environmental Management
303–2	Management of water discharge-related impacts	Environmental Protection — Environmental Management
303–4	Water discharge	Environmental Protection — Environmental Management
303–5	Water consumption	Environmental Protection — Environmental Management
GRI 305: Emissions 2016		
305–1	Direct (Scope 1) GHG emissions	Environmental Protection — Coping with Climate Change
305–2	Energy indirect (Scope 2) GHG emissions	Environmental Protection — Coping with Climate Change
305–3	Other indirect (Scope 3) GHG emissions	Environmental Protection — Coping with Climate Change
305–4	GHG emissions intensity	Environmental Protection — Coping with Climate Change
305–5	Reduction of GHG emissions	Environmental Protection — Coping with Climate Change
305–7	Nitrogen oxides (NOX), sulfur oxides (SOX) and other significant air emissions	Environmental Protection — Environmental Management

Content Index of GRI Sustainability Reporting Standards

GRI 1 Adopted		GRI 1: Foundation 2021
GRI Standard	**GRI Disclosure**	**Location**
GRI 306: Effluents and Waste 2016		
306–1	Water discharge by quality and destination	Relevant internal information is unavailable for now
306–2	Waste by type and disposal method	Environmental Protection — Environmental Management
306–3	Significant spills	Environmental Protection — Environmental Management
306–4	Transport of hazardous waste	Environmental Protection — Environmental Management
306–5	Water bodies affected by water discharges and/or runoff	Relevant internal information is unavailable for now
GRI 308: Supplier Environmental Assessment 2016		
308–1	New suppliers that were screened using environmental criteria	Win-win Partnership — Sustainable Supply
308–2	Negative environmental impacts in the supply chain and actions taken	Win-win Partnership — Sustainable Supply

Social

GRI 401: Employment 2016		
401–1	New employee hires and employee turnover	Talent Development — Diversity and Equal Opportunity
401–3	Parental leave	Talent Development — Diversity and Equal Opportunity
GRI 403: Occupational Health and Safety 2018		
403–1	Occupational health and safety management system	Talent Development — Occupational Health and Safety
403–2	Hazard identification, risk assessment, and incident investigation	Talent Development — Occupational Health and Safety
403–3	Occupational health services	Talent Development — Occupational Health and Safety
403–4	Worker participation, consultation, and communication on occupational health and safety	Talent Development — Occupational Health and Safety
403–5	Worker training on occupational health and safety	Talent Development — Occupational Health and Safety
403–6	Promotion of worker health	Talent Development — Occupational Health and Safety
403–7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Talent Development — Occupational Health and Safety
403–8	Workers covered by an occupational health and safety management system	Talent Development — Occupational Health and Safety
403–9	Work-related injuries	Talent Development — Occupational Health and Safety
GRI 404: Training and Education 2016		
404–1	Average hours of training per year per employee	Talent Development — Development of Human Capital
404–2	Programs for upgrading employee skills and transition assistance programs	Talent Development — Development of Human Capital
404–3	Percentage of employees receiving regular performance and career development reviews	Talent Development — Development of Human Capital
GRI 405: Diversity and Equal Opportunity 2016		
405–1	Diversity of governance bodies and employees	Talent Development — Diversity and Equal Opportunity
405–2	Ratio of basic salary and remuneration of women to men	Relevant internal information is unavailable for now
GRI 406: Non-discrimination 2016		
406-1	Incidents of discrimination and corrective actions taken	Talent Development — Diversity and Equal Opportunity
GRI 407: Freedom of Association and Collective Bargaining 2016		Talent Development — Diversity and Equal Opportunity

Content Index of GRI Sustainability Reporting Standards

GRI 1 Adopted GRI Standard	GRI Disclosure	GRI 1: Foundation 2021 Location
GRI 408: Child Labor 2016		
408–1	Operations and suppliers at significant risk for incidents of child labor	Talent Development — Diversity and Equal Opportunity
GRI 409: Forced or Compulsory Labor 2016		
409–1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Talent Development — Diversity and Equal Opportunity
GRI 413: Local Communities 2016		
413–1	Operations with local community engagement, impact assessments, and development programs	Not applicable, less relevant to the Company's business and therefore not disclosed
413–2	Operations with significant actual and potential negative impacts on local communities	Not applicable, less relevant to the Company's business and therefore not disclosed
GRI 414: Supplier Social Assessment 2016		
414–1	New suppliers that were screened using social criteria	Win-win Partnership — Sustainable Supply
414–2	Negative social impacts in the supply chain and actions taken	Win-win Partnership — Sustainable Supply
GRI 416: Customer Health and Safety 2016		
416–1	Assessment of the health and safety impacts of product and service categories	Product Responsibility — Pharmacovigilance and Recall
416–2	Incidents of non-compliance concerning the health and safety impacts of products and services	Product Responsibility — Pharmacovigilance and Recall
GRI 417: Marketing and Labeling 2016		
417–1	Requirements for product and service information and labeling	Product Responsibility — Customer Responsibility
417–2	Incidents of non-compliance concerning product and service information and labeling	Product Responsibility — Customer Responsibility
417–3	Incidents of non-compliance concerning marketing communications	Product Responsibility — Customer Responsibility
GRI 418: Customer Privacy 2016		
418–1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Product Responsibility — Customer Responsibility

Appendix II Content Index of the Environmental, Social and Governance Reporting Guidelines of the Hong Kong Stock Exchange

Environmental, Social and Governance Areas and General Disclosures and KPIs		Index
A. Environmental		
A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste	Environmental Protection — Coping with Climate Change
KPI A1.1	The types of emissions and respective emissions data.	Environmental Protection — Environmental Management
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Protection — Coping with Climate Change
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Protection — Environmental Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Protection — Environmental Management
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Environmental Protection — Coping with Climate Change
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Protection — Environmental Management
A2: Resource		
General Disclosure	Policies on the efficient use of resources, including energy, water and. other raw materials.	Environmental Protection — Environmental Management
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000) and intensity (e.g. per unit of production volume, per facility).	Environmental Protection — Coping with Climate Change
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Protection — Environmental Management
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to. achieve them.	Environmental Protection — Coping with Climate Change
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Protection — Environmental Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environmental Protection — Environmental Management
A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	Environmental Protection — Coping with Climate Change
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Protection — Coping with Climate Change
A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Environmental Protection — Coping with Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Environmental Protection — Coping with Climate Change

Appendix II Content Index of the Environmental, Social and Governance Reporting Guidelines of the Hong Kong Stock Exchange

Environmental, Social and Governance Areas and General Disclosures and KPIs		Index
B. Social		
Employment and Labor Practices		
B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Talent Development — Diversity and Equal Opportunity
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Talent Development — Diversity and Equal Opportunity
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Talent Development — Development of Human Capital
B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Talent Development — Occupational Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Talent Development — Occupational Health and Safety
KPI B2.2	Lost days due to work injury.	Talent Development — Occupational Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Talent Development — Occupational Health and Safety
B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Talent Development — Development of Human Capital
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Talent Development — Development of Human Capital
KPI B3.2	The average training hours completed per employee by gender and employee category.	Talent Development — Development of Human Capital
B4: Labor Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Talent Development — Diversity and Equal Opportunity
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	Talent Development — Diversity and Equal Opportunity
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Talent Development — Diversity and Equal Opportunity

Appendix II Content Index of the Environmental, Social and Governance Reporting Guidelines of the Hong Kong Stock Exchange

Environmental, Social and Governance Areas and General Disclosures and KPIs		Index
Operating Practices		
B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Win-win Partnership — Sustainable Supply
KPI B5.1	Number of suppliers by geographical region.	Win-win Partnership — Supplier Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Win-win Partnership — Supplier Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Win-win Partnership — Sustainable Supply
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Win-win Partnership — Sustainable Supply
B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility — Pharmacovigilance and Recall
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility — Customer Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility — Pharmacovigilance and Recall
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility — Pharmacovigilance and Recall
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility — Customer Responsibility
B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Responsible Operation — Business Ethics
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Responsible Operation — Business Ethics
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Responsible Operation — Business Ethics
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Responsible Operation — Business Ethics
Community		
B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Caring
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Community Caring
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Caring — Health Caring

Appendix III Table of Key Performance Indicators

Economic performance	Unit	2023	2022	2021
Equity per share attributable to shareholders of the parent	RMB/share	17.08	16.67	15.27
Earnings per share — basic	RMB/share	0.90	1.43	1.85
Earnings per share after deducting non-recurring profits and losses — basic	RMB/share	0.75	1.49	1.28
Weighted average return on net asset after deducting non-recurring profits and losses	%	4.46	9.40	8.58
Revenue	RMB 100 million	412.49	438.11	388.64
Other Income	RMB 100 million	13.92	27.57	33.22
Other expenses	RMB 100 million	8.32	29.65	11.64
Profit before tax	RMB 100 million	32.77	45.81	60.43
Taxation	RMB 100 million	3.70	6.27	10.66
Profit for the year	RMB 100 million	29.07	39.54	49.76
Total comprehensive income attributable to owners of the parent	RMB 100 million	23.99	37.37	47.29
Total comprehensive income attributable to minority interests	RMB 100 million	5.09	2.17	2.47
Tax payments	RMB 100 million	28.19	23.17	22.71
Public donations	RMB 100 million	0.46	0.60	0.36
Social contribution per share	RMB/share	6.27	6.13	5.85
R&D expenditure	RMB 100 million	59.37	58.85	49.78

Appendix III Table of Key Performance Indicators

Environmental performance	Unit	2023	2022	2021
Energy				
Purchased Green Power	million kWh	14.70	16.92	26.59
Carbon reduction of purchased green electricity	ton	8,383	8,825	16,230
Electricity saving	million kWh	10.56	8.86	7.47
Saving in purchased steam	ton	4,402	4,700	5,546
Natural gas saving	million m^3	1.09	0.97	0.34
Comprehensive energy Consumption	GJ/year	7,748,179	8,368,603	8,048,743
Comprehensive energy Intensity	GJ/RMB10,000 operating income	1.88	1.90	2.06
Greenhouse Gas emission				
Scope 1 emissions	ton CO_2e	210,819	289,044	307,856
Scope 2 emissions	ton CO_2e	677,874	659,631	591,357
Scope 3 emissions	ton CO_2e	72,171	794	899
Total carbon emissions (Scope 1 + Scope 2 + Scope 3)	ton CO_2e	960,864	949,469	900,112
Carbon emission intensity	ton/RMB10,000 operating income	0.23	0.22	0.23
Carbon reduction by energy saving	ton	10,114	9,433	7,916
Water Consumption				
Water saving	million ton	0.76	0.34	0.30
Total water consumption	m^3/year	10,489,189	10,545,581	10,521,811
Water consumption intensity	m^3/RMB10,000 operating income	2.54	2.40	2.70
Waste				
Total waste volume	t/year	56,029	69,147	66,328
Total waste intensity	kg/RMB10,000 operating income	13.58	15.72	17.01
Hazardous waste	t/year	9,618	7,568	5,954
Hazardous waste intensity	kg/RMB10,000 operating income	2.33	1.72	1.53
Sewage				
Total sewage discharge	t/year	7,507,716	7,523,754	7,497,581
Sewage discharge intensity	ton/RMB10,000 operating	1.82	1.71	1.92
COD emission	t/year	817	841	704
COD emission intensity	kg/RMB10,000 operating income	0.20	0.19	0.18
Ammonia nitrogen emission	t/year	192	175	146
Ammonia nitrogen emission intensity	kg/RMB10,000 operating income	0.047	0.040	0.038
Waste gas				
Nitrogen oxide emissions	t/year	158	204	182
Nitrogen oxide emission intensity	g/RMB10,000 operating income	38.38	46.45	46.61
Sulfur dioxide emissions	t/year	123	118	101
Sulfur dioxide emissions intensity	g/RMB10,000 operating	29.77	26.91	25.91
Emission of particles	t/year	37	30	25
Particle emission intensity	g/RMB10,000 operating	8.88	6.90	6.45
Qualified rate of VOCs emission	%	100	100	100
Packaging material consumption				
Packaging material consumption	ton	18,772	19,437	20,793
Intensity of package material consumption	kg/RMB10,000 operating income	4.55	4.42	5.32

Appendix III Table of Key Performance Indicators

Social performance	Unit	2023	2022	2021
Employee Employment				
Number of employees	person	40,370	38,399	36,279
Number of male employees	person	20,375	19,785	18,858
Number of female employees	person	19,995	18,614	17,421
Number of master's and doctoral degree holders	person	5,535	5,575	4,851
Number of employees in Chinese mainland	person	32,685	31,954	30,057
Number of employees in Hong Kong, Macao and Taiwan Region	person	19	19	18
Number of employees overseas	person	7,666	6,426	6,204
Number of employees aged under 30	person	12,550	12,506	12,247
Number of employees aged between 30-50	person	23,725	22,019	20,810
Number of employees aged above 50	person	4,095	3,874	3,222
Number of full-time employees	person	39,040	36,813	34,891
Number of part-time employees	person	1,330	1,586	1,388
Employee Turnover[2]	%	13.02	15.95	17.14
Employee Equality and Diversity				
Total number of employees with disabilities	person	156	89	83
Disabled Employee employment rate	%	0.39	0.23	0.23
Total minority employees	person	1,220	1,115[1]	1,117
Employment rate of ethnic minority employees	%	3.02	2.90	3.08
Percentage of female employees returning to work and retaining their positions after maternity leave	%	100	100	100
Occupational Health and Safety				
Lost-time injury rate per million work hours	/	0.104	0.101	0.170
Recordable injury rate per million work hours	/	0.193	0.202	0.355
Occupational hazard exposure rate	%	16.76	15.27	15.16
Investment in health and safety	RMB 10,000	9,830.03	10,117.78	8,191.97
Employee training				
Total number of man-hours of training	man-hour	1,342,886	1,377,319	670,094
Number of anti-corruption training sessions	time	18	16	20
Total EHS training hours	hour	475,293	468,731	391,582
Total EHS training person-times	time	296,291	274,444	212,253
EHS training hours per employee	hour	16.52	15.37	13.97
EHS training times per employee	time	10.30	9.00	7.57
R&D				
Number of patent applications	item	206	249	186
Number of patent granted	item	74	48	62
R&D staff	person	3,491	3,646	2,849

Note 1: Statistical adjustments

Note 2: In 2023, the male employee turnover rate was 13.79%; the female employee turnover rate was 12.23%; the employee turnover rate in Chinese mainland was 12.06%; the employee turnover rate in Hong Kong, Macao and Taiwan Region was 55.81%; the employee turnover rate overseas was 17.03%; the turnover rate of employees aged under 20 was 17.54%; the turnover rate of employees aged between 20-30 was 19.82%; the turnover rate of employees aged between 30-40 was 12.58%; the turnover rate of employees aged between 40-50 was 7.06%; the turnover rate of employees aged between 50-55 was 5.40%; the turnover rate of employees aged between 55-60 was 6.03%; and the turnover rate of employees aged above 60 was 11.86%.

Appendix III Table of Key Performance Indicators

Governance performance	Unit	End of 2023	End of 2022	End of 2021
Board of Directors				
Number of members of Board of Directors	person	12	12	11
Number of female Directors	person	2	2	2
Number of independent non-executive Directors	person	4	4	4

Independent Auditor's Report

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To the shareholders of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 268 to 408, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

To the shareholders of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.
(Established in the People's Republic of China with limited liability)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill	
The carrying value of goodwill in the consolidated financial statements amounted to RMB10,851,999,000 as at 31 December 2023. In accordance with HKFRSs, the Group is required to perform impairment test for goodwill at least on an annual basis. The impairment test is based on the recoverable amount of each cash-generating unit to which the goodwill is allocated. The recoverable amount of each cash-generating unit is its value in use using cash flow projection based on a financial budget or a forecast. This matter was significant to our audit because the impairment test process was complex and involved significant judgements and estimates. The disclosures about impairment of goodwill are included in note 2.4 "Material Accounting Policies", note 3 "Significant Accounting Judgements and Estimates" and note 17 "Goodwill", which specifically explains the key assumptions management used for the calculation of the recoverable amounts to the consolidated financial statements.	Our audit procedures included, among others, involving internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group, in particular, the discount rate and the growth rate beyond a forecast period. We paid attention to the forecasts used with respect to future revenues and operating results by comparing the forecasts with the historical performance and the business development plan of each cash-generating unit. We also focused on the adequacy of the disclosures in the consolidated financial statements.

To the shareholders of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.
(Established in the People's Republic of China with limited liability)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of indefinite-life intangible assets	
The carrying value of indefinite-life intangible assets (medicine licenses, trademarks, patents and technical know-how and operating concession rights) in the consolidated financial statements amounted to RMB1,013,677,000 as at 31 December 2023. In accordance with HKFRSs, the Group is required to perform impairment test for indefinite-life intangible assets at least on an annual basis. The impairment test is based on the recoverable amount of each individual asset or the corresponding cash-generating unit, which is its value in use using cash flow projections based on a financial budget or a forecast. This matter was significant to our audit because the impairment test process was complex and involved significant judgements and estimates. The disclosures about impairment of indefinite-life intangible assets are included in note 2.4 "Material Accounting Policies", note 3 "Significant Accounting Judgements and Estimates" and note 18 "Other Intangible Assets", which specifically explains the key assumptions management used for the calculation of the recoverable amounts to the consolidated financial statements.	Our audit procedures included, among others, involving internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group, in particular, the discount rate and the growth rate beyond a forecast period used in the cash flow forecast of each individual asset or the corresponding cash-generating unit. We paid attention to the forecasts used with respect to future revenues and operating results by comparing the forecasts with historical performance and product revenue plan of each individual asset or the corresponding cash-generating unit. We also focused on the adequacy of the disclosures in the consolidated financial statements.
Capitalisation of development expenditures	
During the year ended 31 December 2023, expenditure incurred on projects to develop new pharmaceutical products of RMB1,295,212,000 was capitalised in "other intangible assets — deferred development costs" in the consolidated financial statements. The expenditure on development activities was capitalised and deferred when all criteria mentioned in note 2.4 "Material Accounting Policies" were satisfied. This matter was significant to our audit because significant management's estimation and judgement were required in determining whether development expenditure met the capitalisation criteria. The disclosures about capitalisation of development expenditure are included in note 2.4 "Material Accounting Policies", note 3 "Significant Accounting Judgements and Estimates" and note 18 "Other Intangible Assets" to the consolidated financial statements.	Our audit procedures included, among others, assessing whether the capitalisation policy adopted to be in line with HKFRSs, obtaining an understanding of the Group's internal approval procedures regarding the capitalisation of development expenditures by conducting interview with key management members in charge of research, development and industrialisation of various projects, and obtaining certifications related to different stages of development activities and commercial and technical feasibility reports prepared by management. We also focused on the adequacy of the disclosures in the consolidated financial statements.

To the shareholders of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.
(Established in the People's Republic of China with limited liability)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

To the shareholders of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.
(Established in the People's Republic of China with limited liability)

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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

To the shareholders of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.
(Established in the People's Republic of China with limited liability)

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lawrence K.W. Lau.

Ernst & Young
Certified Public Accountants
Hong Kong
26 March 2024

Consolidated Statement of Profit or Loss

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	5	**41,248,505**	43,811,385
Cost of sales		**(21,595,309)**	(23,169,690)
Gross profit		**19,653,196**	20,641,695
Other income	6	**524,980**	447,326
Selling and distribution expenses		**(9,712,237)**	(9,171,176)
Administrative expenses		**(4,495,128)**	(3,915,740)
Impairment losses on financial assets		**(131,927)**	(65,369)
Research and development expenses		**(4,346,045)**	(4,302,093)
Other gains	8	**1,392,007**	2,756,877
Other expenses		**(831,601)**	(2,964,942)
Interest income		**363,645**	282,635
Finance costs	9	**(1,324,831)**	(963,807)
Share of profits and losses of:			
Joint ventures		**(202,030)**	(233,925)
Associates		**2,386,879**	2,069,071
PROFIT BEFORE TAX	7	**3,276,908**	4,580,552
Income tax expense	12	**(369,504)**	(626,918)
PROFIT FOR THE YEAR		**2,907,404**	3,953,634
Attributable to:			
Owners of the parent		**2,398,606**	3,736,975
Non-controlling interests		**508,798**	216,659
		2,907,404	3,953,634
Earnings per share attributable to ordinary equity holders of the parent:	14		
Basic		**RMB0.90**	RMB1.43
Diluted		**RMB0.90**	RMB1.43

Consolidated Statement of Comprehensive Income

Year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
PROFIT FOR THE YEAR	**2,907,404**	3,953,634
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**183,615**	208,227
Share of other comprehensive income/(loss) of joint ventures	**109**	(4,297)
Share of other comprehensive loss of associates	**(152,726)**	(83,592)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**30,998**	120,338
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income/(loss):		
Changes in fair value	**957**	(14,465)
Income tax effect	**(99)**	2,170
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**858**	(12,295)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**31,856**	108,043
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,939,260**	4,061,677
Attributable to:		
Owners of the parent	**2,363,164**	3,837,585
Non-controlling interests	**576,096**	224,092
	2,939,260	4,061,677

Consolidated Statement of Financial Position

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**20,846,458**	15,718,789
Right-of-use assets	16	**4,248,080**	2,837,229
Goodwill	17	**10,851,999**	10,337,053
Other intangible assets	18	**15,301,788**	13,951,625
Investments in joint ventures	19	**78,910**	230,606
Investments in associates	20	**23,802,113**	22,863,449
Equity investments designated at fair value through other comprehensive income	21	**52,774**	15,451
Financial assets at fair value through profit or loss	29	**1,040,114**	2,388,829
Deferred tax assets	22	**624,471**	442,570
Trade receivables — non-current	23	**85,323**	91,663
Other non-current assets	24	**2,706,628**	2,956,749
Total non-current assets		**79,638,658**	71,834,013
CURRENT ASSETS			
Inventories	25	**7,537,768**	6,882,432
Trade and bills receivables	26	**7,668,229**	7,612,942
Contract assets	27	**145,887**	—
Prepayments, other receivables and other assets	28	**2,216,029**	2,635,453
Financial assets at fair value through profit or loss	29	**1,888,496**	928,532
Debt investments at fair value through other comprehensive income	26	**642,569**	558,927
Cash and bank balances	30	**13,693,591**	16,241,313
		33,792,569	34,859,599
Assets of a disposal group classified as held for sale	31	**—**	419,578
Total current assets		**33,792,569**	35,279,177
CURRENT LIABILITIES			
Trade and bills payables	32	**6,159,619**	6,284,041
Other payables and accruals	33	**6,748,494**	7,649,161
Interest-bearing bank and other borrowings	34	**19,068,818**	17,016,360
Lease liabilities	35	**329,525**	184,406
Contract liabilities	36	**1,200,496**	1,544,763
Tax payable		**250,629**	619,339
Total current liabilities		**33,757,581**	33,298,070
NET CURRENT ASSETS		**34,988**	1,981,107
TOTAL ASSETS LESS CURRENT LIABILITIES		**79,673,646**	73,815,120

Consolidated Statement of Financial Position

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**79,673,646**	73,815,120
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	34	**13,504,923**	12,099,868
Lease liabilities	35	**2,049,589**	744,992
Deferred tax liabilities	22	**3,445,191**	3,362,940
Contract liabilities	36	**319,785**	354,413
Deferred income	37	**639,399**	632,433
Other long-term liabilities	38	**3,136,874**	2,562,281
Total non-current liabilities		**23,095,761**	19,756,927
Net assets		**56,577,885**	54,058,193
EQUITY			
Equity attributable to owners of the parent			
Share capital	39	**2,672,399**	2,672,157
Treasury shares		**(41,928)**	(53,255)
Reserves	40	**43,015,915**	41,912,839
		45,646,386	44,531,741
Non-controlling interests		**10,931,499**	9,526,452
Total equity		**56,577,885**	54,058,193

Wu Yifang
Director

Guan Xiaohui
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

	Notes	Attributable to owners of the parent										
		Issued share capital RMB'000 (note 39)	Treasury shares RMB'000	Share premium RMB'000	Fair value reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022 (As previously reported)		2,562,899	—	11,385,162	203,703	2,826,306	2,784,724	(1,457,965)	20,830,233	39,135,062	9,183,616	48,318,678
Business combination involving enterprises under common control		—	—	—	—	—	11,498	—	(7,888)	3,610	394	4,004
At 1 January 2022 (As restated)		2,562,899	—	11,385,162	203,703	2,826,306	2,796,222	(1,457,965)	20,822,345	39,138,672	9,184,010	48,322,682
Profit for the year		—	—	—	—	—	—	—	3,736,975	3,736,975	216,659	3,953,634
Other comprehensive income for the year:												
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax		—	—	—	(11,665)	—	—	—	—	(11,665)	(630)	(12,295)
Share of other comprehensive loss of associates		—	—	—	(83,592)	—	—	—	—	(83,592)	—	(83,592)
Share of other comprehensive loss of joint ventures		—	—	—	(4,297)	—	—	—	—	(4,297)	—	(4,297)
Exchange differences on translation of foreign operations		—	—	—	—	—	—	200,164	—	200,164	8,063	208,227
Total comprehensive income for the year		—	—	—	(99,554)	—	—	200,164	3,736,975	3,837,585	224,092	4,061,677
Profit appropriation to reserves		—	—	—	—	143,318	—	—	(143,318)	—	—	—
Issue of A shares	39	109,258	—	4,400,195	—	—	—	—	—	4,509,453	—	4,509,453
Establishment of new subsidiaries		—	—	—	—	—	—	—	—	—	2,310	2,310
Deemed disposal of partial interests in subsidiaries without losing control		—	—	—	—	—	(10,405)	—	—	(10,405)	28,598	18,193
Dividends declared to non-controlling shareholders of subsidiaries		—	—	—	—	—	—	—	—	—	(143,014)	(143,014)
Capital injections from non-controlling shareholders of subsidiaries		—	—	—	—	—	—	—	—	—	55,215	55,215
Acquisitions of subsidiaries		—	—	—	—	—	—	—	—	—	377,083	377,083
Disposal of associates		—	—	—	—	—	(9,435)	—	—	(9,435)	—	(9,435)
Disposal of subsidiaries		—	—	—	—	(22)	—	—	22	—	(12,827)	(12,827)
Acquisition of non-controlling interests		—	—	—	—	(16,673)	(1,388,930)	—	—	(1,405,603)	(270,655)	(1,676,258)
Equity-settled share-based payments		—	(53,255)	—	—	—	1,800	—	—	(51,455)	78,294	26,839
Adjustment on the share redemption options granted to non-controlling shareholders of subsidiaries		—	—	—	—	—	(53,198)	—	—	(53,198)	1,171	(52,027)
Share of changes in equity other than comprehensive income and distributions received of associates		—	—	—	—	—	15,592	—	—	15,592	2,175	17,767
Business combination under common control		—	—	(4,000)	—	—	—	—	—	(4,000)	—	(4,000)
Fair value reserve to retained profits		—	—	—	(33,142)	—	—	—	33,142	—	—	—
Final 2021 dividend declared and paid		—	—	—	—	—	—	—	(1,435,465)	(1,435,465)	—	(1,435,465)
At 31 December 2022		2,672,157	(53,255)	15,781,357*	71,007*	2,952,929*	1,351,646*	(1,257,801)*	23,013,701*	44,531,741	9,526,452	54,058,193

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

	Notes	Attributable to owners of the parent									Non-controlling interests RMB'000	Total equity RMB'000
		Issued share capital RMB'000 (note 39)	Treasury shares RMB'000	Share premium RMB'000	Fair value reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000		
At 1 January 2023		2,672,157	(53,255)	15,781,357*	71,007*	2,952,929*	1,351,646*	(1,257,801)*	23,013,701*	44,531,741	9,526,452	54,058,193
Profit for the year		—	—	—	—	—	—	—	2,398,606	2,398,606	508,798	2,907,404
Other comprehensive income for the year:												
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax		—	—	—	827	—	—	—	—	827	31	858
Share of other comprehensive loss of associates		—	—	—	(152,726)	—	—	—	—	(152,726)	—	(152,726)
Share of other comprehensive income of joint ventures		—	—	—	109	—	—	—	—	109	—	109
Exchange differences on translation of foreign operations		—	—	—	—	—	—	116,348	—	116,348	67,267	183,615
Total comprehensive income for the year		—	—	—	(151,790)	—	—	116,348	2,398,606	2,363,164	576,096	2,939,260
Profit appropriation to reserves		—	—	—	—	5,486	—	—	(5,486)	—	—	—
Issue of A shares	39	372	—	7,540	—	—	—	—	—	7,912	—	7,912
Repurchase and cancellation of restricted A shares		(130)	2,757	(2,627)	—	—	—	—	—	—	—	—
Unlock of restricted A shares		—	16,481	—	—	—	—	—	—	16,481	—	16,481
Establishment of new subsidiaries		—	—	—	—	—	—	—	—	—	1,870	1,870
Deemed disposal of partial interests in subsidiaries without losing control		—	—	—	—	—	3,929	—	—	3,929	(3,470)	459
Dividends declared to non-controlling shareholders of subsidiaries		—	—	—	—	—	—	—	—	—	(198,564)	(198,564)
Capital injections from non-controlling shareholders of subsidiaries		—	—	—	—	—	—	—	—	—	75,894	75,894
Acquisitions of subsidiaries	41	—	—	—	—	—	—	—	—	—	958,865	958,865
Disposal of associates		—	—	—	—	—	(74,745)	—	—	(74,745)	—	(74,745)
Disposal of subsidiaries		—	—	—	—	—	—	—	—	—	(10,566)	(10,566)
Acquisition of non-controlling interests		—	—	—	—	—	(41,015)	—	—	(41,015)	(42,551)	(83,566)
Equity-settled share-based payments		—	(7,911)	—	—	—	9,765	—	—	1,854	33,543	35,397
Adjustment on the share redemption options granted to non-controlling shareholders of subsidiaries		—	—	—	—	—	(64,315)	—	—	(64,315)	13,930	(50,385)
Share of changes in equity other than comprehensive income and distributions received of associates		—	—	—	—	—	22,784	—	—	22,784	—	22,784
Fair value reserve to retained profits		—	—	—	(66,284)	—	—	—	66,284	—	—	—
Final 2022 dividend declared and paid		—	—	—	—	—	—	—	(1,121,404)	(1,121,404)	—	(1,121,404)
At 31 December 2023		2,672,399	(41,928)	15,786,270*	(147,067)*	2,958,415*	1,208,049*	(1,141,453)*	24,351,701*	45,646,386	10,931,499	56,577,885

* The reserve accounts comprise the consolidated reserves of RMB43,015,915,000 (2022: RMB41,912,839,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**3,276,908**	4,580,552
Adjustments for:			
Finance costs	9	**1,324,831**	963,807
Share of profits and losses of joint ventures		**202,030**	233,925
Share of profits and losses of associates		**(2,386,879)**	(2,069,071)
Interest income		**(155,579)**	(155,005)
Depreciation of of property, plant and equipment	7	**1,517,737**	1,251,033
Depreciation of right-of-use assets	7	**318,258**	259,373
Amortisation of other intangible assets	7	**1,282,683**	937,199
Gain on disposal of items of property, plant and equipment and other tangible assets	7	**(538)**	(111,284)
Gain on disposal of interests in associates and joint ventures	8	**(710,599)**	(4,238)
Loss/(gain) on disposal of subsidiaries	8	**1,046**	(351,840)
Dividend income from financial assets at fair value through profit or loss	6	**(61,239)**	(62,972)
Dividend income from equity investments at fair value through other comprehensive income	6	**(203)**	(200)
Impairment of items of property, plant and equipment	7	**2,408**	4,093
Impairment of inventories	7	**121,339**	86,325
Impairment of other intangible assets	7	**21,592**	2,070
Impairment losses on financial assets	7	**131,927**	65,369
Impairment of goodwill	7	**—**	180,000
Impairment of investments in associates	7	**61,284**	—
Impairment of other non-current assets	7	**13,119**	—
Gain on disposal of financial assets at fair value through profit or loss	7	**(558,489)**	(2,129,616)
Gain on fair value change of other financial liabilities at fair value through profit or loss, net	7	**(47,204)**	(47,761)
Loss on fair value change of financial assets at fair value through profit or loss, net	7	**452,384**	2,546,130
Loss on fair value change of other long-term assets, net		**22,200**	—
Covid-19-related rent concessions from lessors	16	**(277)**	(11,345)
Equity settled share-based payment	7	**35,898**	54,483
		4,864,637	6,221,027
Increase in inventories		**(333,906)**	(1,430,078)
Decrease/(increase) in trade and bills receivables		**396,151**	(1,633,526)
Increase in debt investments at fair value through other comprehensive income		**(83,642)**	(131,043)
Decrease in prepayments, other receivables and other assets		**741,277**	525,215
(Decrease)/increase in trade and bills payables		**(716,589)**	1,149,998
(Decrease)/increase in contract liabilities		**(493,437)**	503,864
(Decrease)/increase in other payables and accruals		**(611,925)**	539,210
Decrease/(increase) in pledged bank balances and deposits		**551,306**	(837,197)
Cash generated from operations		**4,313,872**	4,907,470
Income tax paid		**(899,655)**	(689,899)
Net cash flows from operating activities		**3,414,217**	4,217,571

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Net cash flows from operating activities		**3,414,217**	4,217,571
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment, prepaid land lease payments, other intangible assets and other non-current assets		**(5,336,705)**	(5,888,839)
Acquisitions of subsidiaries, net of cash acquired	41	**(923,999)**	(1,196,778)
Acquisitions of interests in associates and joint ventures		**(428,453)**	(482,167)
Purchases of financial assets at fair value through profit or loss		**(227,640)**	(1,019,099)
Purchases of equity investments designated at fair value through other comprehensive income		**(37,395)**	—
Disposal and partial disposal of associates and joint ventures		**742,382**	688,137
Disposal of financial assets at fair value through profit or loss		**1,117,884**	3,142,906
Disposal of subsidiaries	42	**300**	709,214
Dividends from associates		**707,290**	653,337
Dividends received from financial assets at fair value through profit or loss		**63,240**	63,962
Dividends received from equity investments designated at fair value through other comprehensive income		**203**	200
Proceeds from disposal of items of property, plant and equipment, prepaid land lease payments, other intangible assets and other non-current assets		**9,009**	107,130
Change of the deposit for construction projects		**20,587**	(13,243)
Decrease/(increase) in non-pledged time deposits with original maturity of three months or more when acquired and restricted cash, net		**650,969**	(1,105,185)
Interest received from time deposits		**178,325**	100,988
(Payment)/receipt of loans to associates and joint ventures, net		**(60,464)**	178,672
Prepayment for acquisition of an associate		**(248,883)**	—
Other payments relating to investing activities		**(45,940)**	(3,273)
Net cash flows used in investing activities		**(3,819,290)**	(4,064,038)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings	43	**23,155,128**	30,027,529
Repayment of bank and other borrowings	43	**(21,146,225)**	(26,280,141)
Principal portion of lease payments	43	**(251,707)**	(190,802)
Interest paid		**(1,331,338)**	(937,336)
Proceeds from issue of A shares, net of share issue expenses		**7,912**	4,509,453
Capital injections from non-controlling shareholders of subsidiaries		**68,717**	127,980
Receipt of capital contribution from limited partners of consolidated Structured entities		**294,200**	449,060
Dividends paid to owners of the parent		**(1,123,832)**	(1,437,034)
Dividends paid to non-controlling shareholders of subsidiaries		**(204,523)**	(141,847)
Acquisitions of non-controlling interests		**(86,139)**	(1,676,027)
Increase/(decrease) of loans from related parties	43	**20,813**	(10,231)
Repayment of borrowings to former shareholders of a subsidiary	43	**(643,262)**	—
Other payments relating to financing activities		**(95,994)**	(12,129)
Net cash flows (used in)/from financing activities		**(1,336,250)**	4,428,475
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,741,323)**	4,582,008
Cash and cash equivalents at beginning of year		**11,170,067**	6,459,717
Effect of foreign exchange rate changes, net		**73,645**	128,342
CASH AND CASH EQUIVALENTS AT END OF YEAR	30	**9,502,389**	11,170,067

Notes to Financial Statements

31 December 2023

1. CORPORATE AND GROUP INFORMATION

The Company was established as a joint stock company with limited liability on 31 May 1995 in the People's Republic of China ("PRC"). The Company's A Shares have been listed on the Shanghai Stock Exchange since 7 August 1998. The Company's H shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") since 30 October 2012. The operating term is from 31 December 1998 to an indefinite period.

The holding company of the Company is Shanghai Fosun High Technology (Group) Co., Ltd. ("Fosun High Tech"). The ultimate holding company of the Company is Fosun International Holdings Limited. The ultimate controlling shareholder of the Company is Mr. Guo Guangchang.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the development, manufacture and sale of pharmaceutical products and medical equipment, import and export of medical equipment and the provision of related and other consulting services and investment management.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name*	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Chongqing Yao Pharmaceutical Co., Ltd. ("Yao Pharmaceutical") (重慶藥友製藥有限責任公司)***	PRC/ Chinese Mainland	RMB196,540	—	61.04	Manufacture and trading of medicine
Jiangsu Wanbang Biopharmaceutical (Group) Co., Ltd. ("Wanbang Pharma") (江蘇萬邦生化醫藥集團有限責任公司)**	PRC/ Chinese Mainland	RMB480,455	—	100	Manufacture and trading of medicine
Guilin South Pharma Co., Ltd. (桂林南藥股份有限公司)***	PRC/ Chinese Mainland	RMB285,030	—	96.47	Manufacture and trading of medicine
Shanghai Fuhong Hanlin Biotechnology Co., Ltd (上海復宏漢霖生物技術股份有限公司)***	PRC/ Chinese Mainland	RMB543,495	—	59.56	Manufacture and trading of medicine
Gland Pharma Limited ("Gland Pharma")	India	Not applicable	—	57.86	Manufacture and trading of medicine

* The English names of the companies registered in the PRC represent the best efforts made by the management of the Company in directly translating the Chinese names of these companies.

** These subsidiaries are registered as wholly-owned enterprises under PRC law.

*** These subsidiaries are registered as limited liability companies under PRC law.

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results of the Group for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirement of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain equity investments, debt investments and certain financial assets, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2. ACCOUNTING POLICIES (Continued)

2.1 Basis of Preparation (Continued)

Basis of consolidation (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform — Pillar Two Model Rules*

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

2. ACCOUNTING POLICIES (Continued)

2.2 Changes in Accounting Policies and Disclosures (Continued)

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below: (Continued)

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in note 22 to the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

(d) Amendments to HKAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the major entities comprising the Group are operating in jurisdictions in which the Pillar Two tax law has not yet been enacted, the amendments did not have any significant impact to the Group. The Group will disclose known or reasonably estimable information related to its exposure to Pillar Two income taxes in the consolidated financial statements by the time when the Pillar Two tax law has been enacted or substantively enacted and will disclose separately the current tax expense or income related to Pillar Two income taxes when it is in effect.

2. ACCOUNTING POLICIES (Continued)

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[1,4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[1,4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

2. ACCOUNTING POLICIES (Continued)

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (Continued)

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after January 1, 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., January 1, 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other case, 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*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Business combinations and goodwill (Continued)

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Fair value measurement

The Group measures its certain equity investments, debt investments, certain financial assets and financial liabilities designated upon initial recognition as at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

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

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

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for non-financial asset is required (other than inventories, contract assets, deferred tax assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(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.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Buildings	2.00% to 10.00%
Plant and machinery	5.63% to 33.33%
Medical devices	9.50% to 20.00%
Office equipment	6.00% to 50.00%
Motor vehicles	9.00% to 33.33%
Leasehold improvements	10.00% to 20.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case,the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Trademarks

Trademarks with finite useful lives are measured initially at cost and are amortised on the straight-line basis over the respective estimated useful lives. Trademarks with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful lives of trademarks are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Medicine licences, technical know-how and operating concession rights

Medicine licences and technical know-how with finite useful lives are measured initially at cost and are amortised on the straight-line basis over the respective estimated useful lives. Medicine licences, technical know-how and operating concession rights with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful lives of medicine licences, technical know-how and operating concession rights are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Intangible assets (other than goodwill) (Continued)

Patents

Patents with finite useful lives are measured initially at cost and are amortised on the straight-line basis over the respective estimated useful lives. Patents with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful lives of patents are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Office software

Purchased office software is stated at cost less any impairment losses and is amortised on the straight-line basis over the estimated useful life of 2 to 10 years.

Business networks

Business networks are stated at cost less any impairment losses and are amortised on the straight-line basis over the respective estimated useful lives.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Leases (Continued)

Group as a lessee (Continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 to 20 years
Plant and machinery	5 to 10 years
Motor vehicles	3 years
Prepaid land lease payments	20 to 50 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Leases (Continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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

Investments and other financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

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

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

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

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

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

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, 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.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade and bills receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade and bills receivables 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.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, derivative financial instruments and interest-bearing bank and other borrowings.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Financial liabilities (Continued)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward carrying contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of commodity purchase contracts that meet the definition of a derivative as defined by HKFRS 9 is recognised in the statement of profit or loss as cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cost of inventories includes the transfer from equity of gains and losses on qualifying cash flow hedges in respect of the purchases of raw materials.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and bank equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain medical devices and the provision of services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate. The warranty-related cost is revised annually.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries or areas in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Income tax (Continued)

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(a) Sale of industrial products

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

(b) Healthcare services, technology transfer services and consigned processing services

Revenue from rendering healthcare services, technology transfer services and consigned processing services is recognised at the point in time when the services were completed. As the customers can not control the service or consume the benefit and have no obligation to pay until each service completed and accepted.

(c) Rendering of technical consultancy services and maintenance services

Revenue from rendering technical consultancy services and maintenance services is recognised over time, as the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(d) License

The Group grant commercialisation licenses or intellectual property licenses (collectively, the "License") of certain products. The License are either sold separately or bundled together with research and development service to one customer.

Contracts for bundled License and research and development service are comprised of two performance obligations because the promises to transfer the License and provide research and development service are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative stand-alone selling prices of the License and research and development services.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

A contract liability is recognised when a payment is made received or the a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Share-based payments

The Company operates a share incentive scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 45 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of the period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Other employee benefits

Retirement benefits

The full-time employees of the Group in the PRC are covered by various government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. The Group contributes a percentage of the employees' salaries to these retirement benefit schemes on a monthly basis. Under these schemes, the Group has no legal obligation for retirement benefits beyond the contributions made. Contributions to these schemes are expensed as incurred.

Accommodation benefits

According to the relevant PRC rules and regulations, the PRC companies now comprising the Group and their employees are each required to make contributions which are in proportion to the salaries and wages of the employees to an accommodation fund administered by government agencies in the PRC. There is no further obligation on the part of the Group except for such contributions to the accommodation fund. Contributions to an accommodation fund administered by government agencies are charged to the statement of profit or loss as and when they are incurred.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 2.54% and 3.92% has been applied to the expenditure on the individual assets.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Foreign currencies (Continued)

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification of financial assets

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial assets' contractual cash flow characteristics: (1) management needs to make significant judgement when assessing its business model, including but is not limited to (a) how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; (b) the risks that affect the performance of the business model and the financial assets held within that business model and, in particular, the way in which those risks are managed; and (c) how managers of the business are compensated. In determining whether cash flows are going to be realised by collecting the financial assets' contractual cash flows, management needs to consider the reasons for the sales, timing of sales, frequency and value in prior periods; and (2) management needs to make significant judgement on whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, such as whether contractual cash flows could be significantly different from the benchmark cash flows involves judgement when assessing a modified time value of a money element, and whether the fair value of prepayment features is insignificant also requires judgement when assessing the financial assets with prepayment features.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

Determining the method to estimate variable consideration

Certain contracts include variable consideration based on the future events. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

Given that the payments of certain variable consideration are not within the control of the Group, such as regulatory approvals, relevant consideration is not considered until relevant approvals are obtained. The Group determines that the most likely amount method is the appropriate method to estimate the variable consideration. When it is highly probable that the income corresponding to the relevant consideration will not be significantly reversed, the uncertainty of the variable consideration is eliminated and the variable consideration will be included in the transaction price. At the end of each reporting period, the Group will re-evaluate the probability of the payment of the variable consideration, and if necessary, adjust the estimation of the overall transaction price.

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2023 was RMB10,851,999,000 (2022: RMB10,337,053,000). Further details are given in note 17 to the financial statements.

Provision for expected credit losses on trade and bills receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade and bills receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade and bill receivables cost is disclosed in note 26 to the financial statements, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite-life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and sale. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customers' needs and prices change when the products' expiration date is approaching. Management reassesses these estimates at the end of the reporting period.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 51 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2023 was RMB1,637,244,000 (2022: RMB1,911,199,000). Further details are included in note 29 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Valuation of the identifiable assets and liabilities through business combinations and the recognised corresponding goodwill

The Group completed certain business combinations during the year. The purchase prices are allocated between the fair values of the identifiable assets acquired and the liabilities assumed which result in the recognition of goodwill. Management, assisted by the external appraisers, evaluated the fair values of identifiable assets acquired and liabilities assumed and completed the purchase price allocation. The fair value determination in the accounting for business combinations relied on significant management estimation in respect of fair value assessments.

Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Useful lives of intangible assets (other than goodwill)

The Group determines the estimated useful lives for its intangible assets. This estimate is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the amortisation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Unrecognised deductible temporary differences and tax losses are set out in note 22 to the financial statements.

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding to future economic benefits.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

(a) the pharmaceutical manufacturing segment mainly engages in the production, sale and R&D of medicine;

(b) the medical devices and medical diagnosis segment mainly engages in the production and sale of medical devices and diagnostic products;

(c) the healthcare service segment mainly engages in the provision of healthcare service and hospital management;

(d) the pharmaceutical distribution and retail segment mainly engages in the retail and wholesale of medicine; and

(e) the other business operations segment comprises businesses other than those mentioned above.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss after tax. The adjusted profit or loss after tax is measured consistently with the Group's profit or loss after tax except that fair value gain or loss on financial assets at fair value through profit or loss, as well as head office and investment management entities income and expenses are excluded from such measurement.

Intersegment revenues are eliminated on consolidation. Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Segment assets exclude financial assets at fair value through profit or loss, equity investments designated at fair value through other comprehensive income and unallocated head office and investment management entities assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, interest payable and unallocated head office and investment management entities liabilities as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2023

	Pharmaceutical manufacturing RMB'000	Medical devices and medical diagnosis RMB'000	Healthcare Service RMB'000	Pharmaceutical distribution and retail RMB'000	Other business operations RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	30,080,246	4,386,495	6,667,137	—	114,627	—	41,248,505
Intersegment sales	470,731	54,063	42,866	—	35,726	(603,386)	—
Total segment revenue	30,550,977	4,440,558	6,710,003	—	150,353	(603,386)	41,248,505
Segment results*	2,133,620	(126,443)	(200,661)	—	(80,398)	(119,758)	1,606,360
Other income	342,065	56,167	49,453	—	49,415	—	497,100
Other gains	329,170	56	23,039	—	149,667	—	501,932
Interest income	235,169	30,611	24,260	—	2,615	(23,896)	268,759
Finance costs	(254,032)	(34,398)	(245,598)	—	(44,186)	133,272	(444,942)
Other expenses/Impairment losses on financial assets	(288,780)	(93,932)	(65,354)	—	(1,002)	1,173	(447,895)
Share of profits and losses of:							
Joint ventures	(209,238)	—	(1,376)	—	8,584	—	(202,030)
Associates	27,365	128,527	1,427	2,242,195	(12,635)	—	2,386,879
Unallocated other income, interest income, other gains, finance cost, and expenses							(889,255)
Profit/(loss) before tax	2,315,339	(39,412)	(414,810)	2,242,195	72,060	(9,209)	3,276,908
Tax	(341,571)	6,666	(25,005)	—	(6,189)	—	(366,099)
Unallocated tax							(3,405)
Profit/(loss) for the year	1,973,768	(32,746)	(439,815)	2,242,195	65,871	(9,209)	2,907,404
Segment assets	60,228,777	10,328,867	15,575,622	18,972,525	5,096,173	(2,997,488)	107,204,476
Including:							
Investments in joint ventures	67,249	—	—	—	11,661	—	78,910
Investments in associates	505,797	1,483,895	688,591	18,972,525	2,151,305	—	23,802,113
Unallocated assets							6,226,751
Total assets							113,431,227
Segment liabilities	24,081,873	2,672,929	7,609,566	—	2,077,696	(13,666,779)	22,775,285
Unallocated liabilities							34,078,057
Total liabilities							56,853,342
Other segment information:							
Depreciation and amortisation	2,186,643	369,461	532,164	—	114,485	—	3,202,753
Impairment losses recognised in the statement of profit or loss, net	224,224	82,804	53,055	—	—	—	360,083
Impairment losses recognised in the statement of profit or loss, net (unallocated)							(8,414)
Capital expenditure**	4,470,575	551,519	602,539	—	133,195	—	5,757,828

* Segment results are obtained as segment revenue less cost of sales, selling and distribution expenses and administrative expenses and research and development expenses.

** Capital expenditure consists of additions to property, plant and equipment, other intangible assets and prepaid land lease payments included in right-of-use assets (not including the addition from acquisitions of subsidiaries).

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2022

	Pharmaceutical manufacturing RMB'000	Medical devices and medical diagnosis RMB'000	Healthcare Service RMB'000	Pharmaceutical distribution and retail RMB'000	Other business operations RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	30,693,258	6,932,915	6,075,538	—	109,674	—	43,811,385
Intersegment sales	954,626	304,941	78,056	—	45,868	(1,383,491)	—
Total segment revenue	31,647,884	7,237,856	6,153,594	—	155,542	(1,383,491)	43,811,385
Segment results*	3,794,758	521,179	(621,692)	—	(26,780)	(220,272)	3,447,193
Other income	267,348	35,989	59,598	—	59,688	—	422,623
Other gains	431,145	248,503	52,034	—	108,516	166	840,364
Interest income	198,326	21,992	25,395	—	462	(14,275)	231,900
Finance costs	(178,992)	(29,728)	(196,929)	—	(18,722)	113,528	(310,843)
Other expenses/Impairment losses on financial assets	(442,881)	(92,453)	(49,762)	—	8,367	(2,251)	(578,980)
Share of profits and losses of:							
Joint ventures	(233,692)	—	2,153	—	(2,386)	—	(233,925)
Associates	41,275	170,200	(33,971)	2,114,127	(222,560)	—	2,069,071
Unallocated other income, interest income, other gains, finance cost, and expenses							(1,306,851)
Profit/(loss) before tax	3,877,287	875,682	(763,174)	2,114,127	(93,415)	(123,104)	4,580,552
Tax	(458,062)	(104,704)	(28,403)	—	(24,851)	—	(616,020)
Unallocated tax							(10,898)
Profit/(loss) for the year	3,419,225	770,978	(791,577)	2,114,127	(118,266)	(123,104)	3,953,634
Segment assets	57,395,126	10,724,490	11,681,978	17,365,180	5,493,057	(3,375,456)	99,284,375
Including:							
Investments in joint ventures	224,933	—	—	—	5,673	—	230,606
Investments in associates	887,888	1,366,687	677,140	17,365,180	2,566,554	—	22,863,449
Unallocated assets							7,828,815
Total assets							107,113,190
Segment liabilities	25,229,301	3,740,579	5,791,506	—	1,883,079	(17,390,381)	19,254,084
Unallocated liabilities							33,800,913
Total liabilities							53,054,997
Other segment information:							
Depreciation and amortisation	1,705,717	267,618	449,484	—	73,512	—	2,496,331
Impairment losses recognised in the statement of profit or loss, net	281,502	76,659	34,048	—	(10,000)	—	382,209
Impairment losses recognised in the statement of profit or loss, net (unallocated)							(44,352)
Capital expenditure**	4,633,126	507,330	530,989	—	128,957	—	5,800,402

* Segment results are obtained as segment revenue less cost of sales, selling and distribution expenses and administrative expenses and research and development expenses.

** Capital expenditure consists of additions to property, plant and equipment, other intangible assets and prepaid land lease payments included in right-of-use assets (not including the addition from acquisitions of subsidiaries).

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2023 RMB'000	2022 RMB'000
Chinese Mainland	**30,877,890**	29,873,128
Regions outside Chinese Mainland and other countries	**10,370,615**	13,938,257
Total revenue	**41,248,505**	43,811,385

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2023 RMB'000	2022 RMB'000
Chinese Mainland	**63,249,069**	57,080,083
Regions outside Chinese Mainland and other countries	**14,390,165**	11,449,538
Total non-current assets	**77,639,234**	68,529,621

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue amounting to 10% or more of the Group's total revenue was derived from sales to a single related party for the year ended 31 December 2023 of 16% (For the year ended 31 December 2022: 13%.).

5. REVENUE

An analysis of the Group's revenue is as follows:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers	**41,185,904**	43,778,775
Revenue from other sources		
Gross rental income	**62,601**	32,610
Total revenue	**41,248,505**	43,811,385

5. REVENUE (Continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2023

Segments	Pharmaceutical manufacturing RMB'000	Medical devices and medical diagnosis RMB'000	Healthcare Service RMB'000	Pharmaceutical distribution and retail RMB'000	Other business operations RMB'000	Total RMB'000
Types of goods or services						
Sale of medical products	28,532,071	4,245,408	686,595	—	32,949	33,497,023
Rendering of services and others	1,517,980	127,270	5,976,603	—	33,450	7,655,303
Sale of materials	22,320	11,258	—	—	—	33,578
Total revenue from contracts with customers	30,072,371	4,383,936	6,663,198	—	66,399	41,185,904
Geographical markets						
Chinese Mainland	22,629,786	1,466,935	6,654,040	—	64,528	30,815,289
Regions outside Chinese Mainland and other countries	7,442,585	2,917,001	9,158	—	1,871	10,370,615
Total revenue from contracts with customers	30,072,371	4,383,936	6,663,198	—	66,399	41,185,904
Timing of revenue recognition						
Goods and materials transferred at a point in time	28,554,391	4,256,666	686,595	—	32,949	33,530,601
Services transferred at a point in time	1,205,727	34,162	5,976,603	—	33,450	7,249,942
Services transferred over time	312,253	93,108	—	—	—	405,361
Total revenue from contracts with customers	30,072,371	4,383,936	6,663,198	—	66,399	41,185,904

5. REVENUE (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

For the year ended 31 December 2022

Segments	Pharmaceutical manufacturing RMB'000	Medical devices and medical diagnosis RMB'000	Healthcare Service RMB'000	Pharmaceutical distribution and retail RMB'000	Other business operations RMB'000	Total RMB'000
Types of goods or services						
Sale of medical products	29,500,816	6,677,320	900,558	—	14,402	37,093,096
Rendering of services and others	1,176,715	241,850	5,170,891	—	71,616	6,661,072
Sale of materials	11,782	12,825	—	—	—	24,607
Total revenue from contracts with customers	30,689,313	6,931,995	6,071,449	—	86,018	43,778,775
Geographical markets						
Chinese Mainland	20,776,665	2,912,966	6,070,148	—	82,759	29,842,538
Regions outside Chinese Mainland and other countries	9,912,648	4,019,029	1,301	—	3,259	13,936,237
Total revenue from contracts with customers	30,689,313	6,931,995	6,071,449	—	86,018	43,778,775
Timing of revenue recognition						
Goods and materials transferred at a point in time	29,512,598	6,690,145	900,558	—	14,402	37,117,703
Services transferred at a point in time	914,314	115,752	5,170,891	—	71,616	6,272,573
Services transferred over time	262,401	126,098	—	—	—	388,499
Total revenue from contracts with customers	30,689,313	6,931,995	6,071,449	—	86,018	43,778,775

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2023 RMB'000	2022 RMB'000
Revenue recognised that was included in contract liabilities as at the beginning of the reporting period:		
Advances from customers	**1,493,312**	1,115,327
Warranty services	**51,450**	38,531
Total	**1,544,762**	1,153,858

5. REVENUE (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations

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

Sale of goods

The performance obligation is satisfied at the point when control of the asset is transferred to the customer.

Rendering of services

— The performance obligation is recognized at the point in time when the service is provided.

— The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of installation and customer acceptance.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2023	2022
	RMB'000	RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**1,200,496**	1,544,763
After one year	**319,785**	354,413
Total	**1,520,281**	1,899,176

The amounts disclosed above do not include variable consideration which is constrained.

6. OTHER INCOME

	2023	2022
	RMB'000	RMB'000
Dividend income from financial assets at fair value through profit or loss	**61,239**	62,972
Dividend income from equity investments at fair value through other comprehensive income	**203**	200
Government grants	**463,538**	378,369
Others	**—**	5,785
Total other income	**524,980**	447,326

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2023 RMB'000	2022 RMB'000
Cost of inventories sold		**16,189,857**	18,400,615
Cost of services provided		**5,405,452**	4,769,075
Staff costs (including directors', supervisors' and chief executive's remuneration *(note 10)*):			
Salaries and other staff costs		**9,322,174**	8,498,401
Retirement benefits:			
Defined contribution fund		**553,831**	538,402
Accommodation benefits:			
Defined contribution fund		**328,098**	319,781
Share-based payment expense		**35,898**	54,483
		10,240,001	9,411,067
Research and development expenses:			
Current year expenditure excluding amortisation of other intangible assets		**3,877,623**	4,007,549
Less: Government grants for R&D projects*		**(56,687)**	(90,433)
Net current year expenditure		**3,820,936**	3,917,116
Auditors' remuneration		**4,660**	4,760
Depreciation of property, plant and equipment		**1,517,737**	1,251,033
Amortisation of other intangible assets		**1,282,683**	937,199
Provision for impairment of property, plant and equipment	15	**2,408**	4,093
Provision for impairment of inventories		**121,339**	86,325
Impairment losses on financial assets, net		**131,927**	65,369
Impairment of trade receivables, net	23 & 26	**110,362**	62,182
Impairment of other trade receivables, net	28	**21,565**	3,187
Provision for impairment of goodwill	17	**—**	180,000
Provision for other intangible assets	18	**21,592**	2,070
Provision for impairment of investments in associates	20	**61,284**	—
Provision for other non-current assets		**13,119**	—
Depreciation of right-of-use assets	16	**318,258**	259,373
Lease payments not included in the measurement of lease liabilities		**113,749**	82,415
Gain on disposal of financial assets at fair value through profit or loss	8	**(558,489)**	(2,129,616)
Gain on fair value change of other financial liabilities at fair value through profit or loss, net	8	**(47,204)**	(47,761)
Loss on fair value change of financial assets at fair value through profit or loss, net		**452,384**	2,546,130
Gain on disposal of interests in associates and joint ventures	8	**(710,599)**	(4,238)
Foreign exchange gain, net		**(13,027)**	(62,360)
Loss/(gain) on disposal of subsidiaries	8	**1,046**	(351,840)
Gain on disposal of items of property, plant and equipment and other intangible assets		**(538)**	(111,284)
Donations		**45,909**	60,312

* The Group received various government grants related to research and development projects. The government grants received have been recorded in other income. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the consolidated statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

8. OTHER GAINS

	2023 RMB'000	2022 RMB'000
Gain on disposal of interests in associates and joint ventures	**710,599**	4,238
Gain on disposal of financial assets at fair value through profit or loss	**558,489**	2,129,616
Gain on fair value change of other financial liabilities at fair value through profit or loss, net	**47,204**	47,761
Foreign exchange gain, net	**13,027**	62,360
Gain on disposals of subsidiaries	**—**	351,840
Gain on disposal of items of property, plant and equipment and other intangible assets	**5,564**	125,602
Others	**57,124**	35,460
Total other gains	**1,392,007**	2,756,877

9. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Interest on bank loans and other borrowings (excluding lease liabilities)	**1,323,035**	965,112
Interest on lease liabilities	**50,920**	44,459
Subtotal	**1,373,955**	1,009,571
Less: Interest capitalised *(note 15)*	**(49,124)**	(45,764)
Total	**1,324,831**	963,807

10. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors', supervisors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383 (1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023	2022
	RMB'000	RMB'000
Fees	**1,568**	1,200
Other emoluments:		
Salaries, allowances and benefits in kind	**12,181**	11,301
Performance related bonuses	**35,939**	39,246
Pension scheme contributions	**330**	298
Subtotal	**48,450**	50,845
Total fees and other emoluments	**50,018**	52,045

During the year, certain directors were granted share options, in respect of their services to the Group, under the Restricted A Share Incentive Scheme of the Company, further details of which are set out in note 45 to the financial statements. The fair value of the restricted shares, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2023	2022
	RMB'000	RMB'000
Ms. Li Ling	**392**	300
Mr. Tang Guliang	**392**	300
Mr. Wang Quandi	**392**	300
Mr. Yu Zishan	**392**	300
Total	**1,568**	1,200

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

10. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors, supervisors and the chief executive

2023	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors					
Mr. Wu Yifang**	—	**3,137**	**8,940**	**63**	**12,140**
Mr. Wang Kexin	—	**2,914**	**12,268**	**63**	**15,245**
Ms Guan Xiaohui	—	**2,423**	**6,645**	**68**	**9,136**
Mr Wen Deyong*	—	**2,593**	**7,336**	**68**	**9,997**
Subtotal	—	**11,067**	**35,189**	**262**	**46,518**
Non-executive directors					
Mr. Chen Qiyu	—	—	—	—	—
Mr. Yao Fang	—	—	—	—	—
Mr. Pan Donghui	—	—	—	—	—
Mr. Xu Xiaoliang	—	—	—	—	—
Subtotal	—	—	—	—	—
Supervisors					
Ms. Ren Qian	—	**1,114**	**750**	**68**	**1,932**
Mr. Guan Yimin	—	—	—	—	—
Mr. Cao Genxing	—	—	—	—	—
Subtotal	—	**1,114**	**750**	**68**	**1,932**
Total	—	**12,181**	**35,939**	**330**	**48,450**
2022					
Executive directors					
Mr. Wu Yifang**	—	3,055	9,563	55	12,673
Mr. Wang Kexin	—	2,660	16,774	57	19,491
Ms Guan Xiaohui	—	2,269	6,368	62	8,699
Mr Wen Deyong*	—	2,233	5,649	62	7,944
Subtotal	—	10,217	38,354	236	48,807
Non-executive directors					
Mr. Chen Qiyu	—	—	—	—	—
Mr. Yao Fang	—	—	—	—	—
Mr. Pan Donghui	—	—	—	—	—
Mr. Xu Xiaoliang	—	—	—	—	—
Subtotal	—	—	—	—	—
Supervisors					
Ms. Ren Qian	—	1,084	892	62	2,038
Mr. Guan Yimin	—	—	—	—	—
Mr. Cao Genxing	—	—	—	—	—
Subtotal	—	1,084	892	62	2,038
Total	—	11,301	39,246	298	50,845

* Mr. Wen Deyong was elected as Chief Executive of the Company in June 2022, and also elected as an executive director of the Company in August 2022.

** Mr. Wu Yifang retired as Chief Executive of the Company in June 2022.

There was no arrangement under which a director, a supervisor or the chief executive waived or agreed to waive any remuneration during the year (2022: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors and the chief executive (2022: three directors and the chief executive), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining one (2022: two) highest paid employees who are not a director, supervisor, or the chief executive of the Company are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	**4,734**	3,130
Performance related bonuses	**6,896**	23,080
Pension scheme contributions	**—**	165
Total	**11,630**	26,375

The number of non-director, non-supervisor and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2023	2022
HKD8,500,001 to HKD9,000,000	**—**	1
HKD12,500,001 to HKD13,000,000	**1**	—
HKD19,000,001 to HKD19,500,000	**—**	1
Total	**1**	2

12. INCOME TAX

The provision for Mainland China current income tax is based on a statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China, which are taxed at preferential rates of 0% to 20%.

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated taxable profits arising in Hong Kong during the year. The provision of current income tax of Sisram Medical Ltd ("Sisram Medical"), a subsidiary of the Company incorporated in Israel, is based on a preferential rate of 6%. The provision of current income tax of Nova Medical Israel Ltd. ("Nova"), a subsidiary of the Company incorporated in Israel, is based on a statutory rate of 23%. The provision of current tax of Gland Pharma Limited ("Gland Pharma"), a subsidiary of the Company incorporated in India, was based on a statutory rate of 25.17%. The provision of current tax of Breas Medical Holdings AB ("Breas"), a subsidiary of the Company incorporated in Sweden, is based on a statutory rate of 20.6%. The provision of current tax of Tridem Pharma S.A.S ("Tridem Pharma"), a subsidiary of the Company incorporated in France, is based on a statutory rate of 25.83%. The provision of current income tax of Phixen SAS, a subsidiary of the Company incorporated in France, is based on a statutory rate of 25.83%.

12. INCOME TAX (Continued)

	2023 RMB'000	2022 RMB'000
Current	**529,206**	815,416
Deferred *(note 22)*	**(159,702)**	(188,498)
Total tax charge for the year	**369,504**	626,918

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rates for the countries in which the company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

2023

	Chinese Mainland RMB'000	Regions outside Chinese Mainland and other countries RMB'000	Total RMB'000
Profit before tax	**2,651,812**	**625,096**	**3,276,908**
Tax at the statutory tax rate	**670,301**	**141,503**	**811,804**
Lower tax rates for certain entities	**(205,262)**	**(46,965)**	**(252,227)**
Adjustments in respect of current tax of previous years	**1,015**	**(4,700)**	**(3,685)**
Profit attributable to joint ventures and associates	**(405,517)**	**(1,862)**	**(407,379)**
Income not subject to tax	**(95,006)**	**(95,425)**	**(190,431)**
Expenses not deductible for tax	**141,478**	**21,153**	**162,631**
Influence of the change of tax rate on the deferred income tax balance	**(5,105)**	**—**	**(5,105)**
Tax losses utilised from previous periods	**(258,445)**	**(10,932)**	**(269,377)**
Tax incentives on eligible expenditures	**(429,079)**	**—**	**(429,079)**
Deductible temporary differences and tax losses not recognised	**773,006**	**179,346**	**952,352**
Tax charge at the Group's effective rate	**187,386**	**182,118**	**369,504**

12. INCOME TAX (Continued)

2022

	Chinese Mainland RMB'000	Regions outside Chinese Mainland and other countries RMB'000	Total RMB'000
Profit before tax	3,082,967	1,497,585	4,580,552
Tax at the statutory tax rate	767,359	348,947	1,116,306
Lower tax rates for certain entities	(166,250)	(45,179)	(211,429)
Adjustments in respect of current tax of previous years	7,376	(9,563)	(2,187)
Profit attributable to joint ventures and associates	(474,236)	8,062	(466,174)
Income not subject to tax	(134,263)	31,845	(102,418)
Expenses not deductible for tax	17,412	34,968	52,380
Influence of the change of tax rate on the deferred income tax balance	12	—	12
Tax losses utilised from previous periods	(318,626)	(6,401)	(325,027)
Tax incentives on eligible expenditures	(309,033)	(11,795)	(320,828)
Deductible temporary differences and tax losses not recognised	826,842	59,441	886,283
Tax charge at the Group's effective rate	216,593	410,325	626,918

13. DIVIDENDS

	2023 RMB'000	2022 RMB'000
Proposed final — RMB0.27 (2022: RMB0.42) per ordinary share	**721,548**	1,122,306

The Company proposed to distribute a cash dividend of RMB0.27 (before tax) for each ordinary share to all shareholders whose names are registered in the register of members and are entitled to participate in the distribution on the record date. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and the final dividend amount will be determined by the number of the ordinary shares available for distribution on the corresponding date of share registration for the dividend payment.

The amount of the proposed final dividend of RMB721,548 thousand is calculated based on the total number of ordinary shares of the Company of 2,672,398,711 shares on the record of 26 March 2024.

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the cash dividends distributed to the Restricted A Share Incentive Scheme, and the weighted average number of ordinary shares of 2,669,655,211 (2022: 2,607,380,489) in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2023	2022
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	**2,398,606**	3,736,975
Less: Cash dividends distributed to the Restricted A Share Incentive Scheme	**(1,050)**	—
Adjusted profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**2,397,556**	3,736,975
Cash dividends distributed to the Restricted A Share Incentive Scheme	**1,050**	—
Adjusted profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	**2,398,606**	3,736,975

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**2,669,655,211**	2,607,380,489
Effect of dilution — weighted average number of ordinary shares:		
— the Restricted A Share Incentive Scheme	**253,150**	4,490
Total	**2,669,908,361***	2,607,384,979

* Because the diluted earnings per share amount increased when taking the Restricted A Share Incentive Scheme into account, the Restricted A Share Incentive Scheme had an anti-dilutive effect on the basic earnings per share for 2023 and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amount is the same as the basic earnings per share for 2023.

15. PROPERTY, PLANT AND EQUIPMENT

	Year ended 31 December 2023								
	Freehold land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Medical devices RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:									
At 1 January 2023	201,312	7,736,697	8,672,633	1,045,089	859,332	128,645	943,726	4,896,697	24,484,131
Additions	11,142	242,519	349,168	63,319	16,973	9,594	110,934	2,796,076	3,599,725
Acquisitions of subsidiaries *(note 41)*	714,667	1,620,368	1,635,872	296,629	43,424	4,215	289,901	167,095	4,772,171
Disposals	—	(48,197)	(121,123)	(48,390)	(24,754)	(8,494)	(15,588)	—	(266,546)
Disposal of subsidiaries *(note 42)*	—	—	(383)	—	—	—	(925)	—	(1,308)
Transferred from construction in progress	—	1,889,768	730,913	119,917	179,322	1,667	—	(2,921,587)	—
Exchange realignment	24,615	33,577	71,465	210	8,665	(17)	—	—	138,515
At 31 December 2023	951,736	11,474,732	11,338,545	1,476,774	1,082,962	135,610	1,328,048	4,938,281	32,726,688
Accumulated depreciation:									
At 1 January 2023	—	(2,637,429)	(4,540,408)	(643,994)	(463,165)	(81,599)	(389,493)	—	(8,756,088)
Depreciation charge for the year	—	(317,182)	(842,112)	(131,222)	(108,465)	(14,979)	(153,494)	—	(1,567,454)
Acquisitions of subsidiaries *(note 41)*	—	(503,837)	(977,988)	(146,374)	(34,224)	(2,690)	(11,974)	—	(1,677,087)
Disposals	—	32,987	94,268	36,052	13,541	6,386	4,794	—	188,028
Disposal of subsidiaries *(note 42)*	—	—	220	—	—	—	925	—	1,145
Exchange realignment	—	(14,640)	(36,975)	(113)	(5,394)	4	—	—	(57,118)
At 31 December 2023	—	(3,440,101)	(6,302,995)	(885,651)	(597,707)	(92,878)	(549,242)	—	(11,868,574)
Impairment losses:									
At 1 January 2023	—	(3,272)	(4,577)	—	(1,405)	—	—	—	(9,254)
Charge for the year	—	(80)	(2,328)	—	—	—	—	—	(2,408)
Disposals	—	—	6	—	—	—	—	—	6
At 31 December 2023	—	(3,352)	(6,899)	—	(1,405)	—	—	—	(11,656)
Net carrying amount:									
At 31 December 2023	951,736	8,031,279	5,028,651	591,123	483,850	42,732	778,806	4,938,281	20,846,458
At 1 January 2023	201,312	5,095,996	4,127,648	401,095	394,762	47,046	554,233	4,896,697	15,718,789

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Year ended 31 December 2022								
	Freehold land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Medical devices RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:									
At 1 January 2022	203,685	6,608,208	7,531,336	806,251	743,166	118,507	763,868	3,617,705	20,392,726
Additions	—	36,639	336,791	114,539	122,735	14,387	133,953	2,819,579	3,578,623
Acquisitions of subsidiaries	—	274,744	298,000	58,183	12,758	2,024	11,087	386,776	1,043,572
Disposals	—	(36,913)	(120,768)	(33,831)	(49,094)	(6,355)	(21,783)	(43,141)	(311,885)
Disposal of subsidiaries *(note 42)*	—	(107,193)	(85,380)	—	(4,648)	(2,120)	(178)	(597)	(200,116)
Transferred from construction in progress	—	966,113	725,370	99,371	33,122	2,870	56,779	(1,883,625)	—
Exchange realignment	(2,373)	(4,901)	(12,716)	576	1,293	(668)	—	—	(18,789)
At 31 December 2022	201,312	7,736,697	8,672,633	1,045,089	859,332	128,645	943,726	4,896,697	24,484,131
Accumulated depreciation:									
At 1 January 2022	—	(2,271,700)	(3,800,039)	(534,926)	(406,169)	(73,686)	(288,555)	—	(7,375,075)
Depreciation charge for the year	—	(274,606)	(681,868)	(106,768)	(85,929)	(14,992)	(111,695)	—	(1,275,858)
Acquisitions of subsidiaries	—	(173,024)	(209,604)	(20,780)	(9,145)	(567)	(1,110)	—	(414,230)
Disposals	—	15,507	95,163	18,933	36,149	5,643	11,822	—	183,217
Disposal of subsidiaries *(note 42)*	—	63,721	52,713	—	3,331	1,415	45	—	121,225
Exchange realignment	—	2,673	3,227	(453)	(1,402)	588	—	—	4,633
At 31 December 2022	—	(2,637,429)	(4,540,408)	(643,994)	(463,165)	(81,599)	(389,493)	—	(8,756,088)
Impairment losses:									
At 1 January 2022	—	(3,272)	(2,028)	—	(276)	—	—	—	(5,576)
Charge for the year	—	—	(2,964)	—	(1,129)	—	—	—	(4,093)
Disposals	—	—	415	—	—	—	—	—	415
At 31 December 2022	—	(3,272)	(4,577)	—	(1,405)	—	—	—	(9,254)
Net carrying amount:									
At 31 December 2022	201,312	5,095,996	4,127,648	401,095	394,762	47,046	554,233	4,896,697	15,718,789
At 1 January 2022	203,685	4,333,236	3,729,269	271,325	336,721	44,821	475,313	3,617,705	13,012,075

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The carrying amounts of construction in progress of the Group included capitalised interest of approximately RMB49,124,000 (2022: RMB45,764,000) charged for the year (note 9) prior to being transferred to property, plant and equipment.

As at 31 December 2023, the Group has not obtained title certificates for certain of the buildings with an aggregate net carrying amount of approximately RMB42,289,000 (2022: RMB50,436,000). The directors were of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2023.

As at 31 December 2023, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB2,117,025,000(2022: RMB1,280,172,000) were pledged to secure certain of the Group's bank and other borrowings (note 34).

As at 31 December 2023, the net carrying values of the group's property, plant and equipment leased out for operating purposes are as follows:

	2023	2022
	RMB'000	RMB'000
Buildings	**79,181**	66,193

16. LEASE

The Group as a lessee

The Group has lease contracts for various items of land, buildings, plant and machinery and motor vehicles used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 20 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings have lease terms between 2 to 20 years, plant and machinery generally have lease terms between 5 and 10 years, while motor vehicles generally have lease terms of 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

16. LEASE (Continued)

The Group as a lessee (Continued)

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Prepaid Land lease payments RMB'000	Total RMB'000
As at 1 January 2023	**825,211**	**31,362**	**6,965**	**1,973,691**	**2,837,229**
Additions	**281,553**	**11,026**	**9,935**	**68,673**	**371,187**
Additions as a result of acquisition of subsidiaries	**1,242,047**	**59,504**	**3,101**	**96,789**	**1,401,441**
Disposal	**(39,310)**	**—**	**—**	**(10,950)**	**(50,260)**
Depreciation charge	**(241,239)**	**(18,669)**	**(6,483)**	**(51,867)**	**(318,258)**
Effect of foreign exchange rate changes, net	**5,366**	**1,035**	**340**	**—**	**6,741**
As at 31 December 2023	**2,073,628**	**84,258**	**13,858**	**2,076,336**	**4,248,080**

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Prepaid Land lease payments RMB'000	Total RMB'000
As at 1 January 2022	703,521	36,609	7,218	1,822,448	2,569,796
Additions	232,088	—	5,196	42,809	280,093
Acquisition of subsidiaries	70,232	—	—	173,197	243,429
Disposal	(12,997)	(204)	—	(6,436)	(19,637)
Disposal of subsidiaries	—	—	—	(14,031)	(14,031)
Depreciation charge	(204,552)	(5,043)	(5,482)	(44,296)	(259,373)
Effect of foreign exchange rate changes, net	36,919	—	33	—	36,952
As at 31 December 2022	825,211	31,362	6,965	1,973,691	2,837,229

As at 31 December 2023, certain of the Group's prepaid land lease payments with a net carrying amount of RMB614,613,000 (2022: RMB505,506,000) were pledged to secure certain of the Group's bank and other borrowings (note 34).

16. LEASE (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

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

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	**929,398**	789,856
New leases	**308,537**	224,653
Acquisition of subsidiaries	**1,402,286**	81,227
Accretion of interest recognised during the year	**50,920**	44,459
Covid-19-related rent concessions from lessors	**(277)**	(11,345)
Payments	**(251,707)**	(190,802)
Lease termination	**(72,764)**	(16,903)
Effect of foreign exchange rate changes, net	**12,721**	8,253
As at 31 December	**2,379,114**	929,398
Analysed into:		
Current portion	**329,525**	184,406
Non-current portion	**2,049,589**	744,992

There are no lease liabilities due to the Group's other related companies (2022: Nil).

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

The Group applied the practical expedient to all eligible covid-19-related rent concessions granted by the lessors during the year.

(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	**50,920**	44,459
Depreciation charge of right-of-use assets	**318,258**	259,373
Expense relating to short-term leases	**102,397**	74,223
Expense relating to leases of low-value assets	**11,352**	8,192
Covid-19-related rent concessions from lessors	**(277)**	(11,345)
Total amount recognised in profit or loss	**482,650**	374,902

16. LEASE (Continued)

The Group as a lessor

The Group leases part of its buildings (note 15) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB62,601,000 (2022: RMB32,610,000), details of which are included in note 5 to the financial statements.

At 31 December 2023, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023 RMB'000	2022 RMB'000
Within one year	**30,274**	14,621
After one year but within two years	**24,738**	6,778
After two years but within three years	**15,926**	6,391
Over three years	**51,583**	42,845
Total	**122,521**	70,635

17. GOODWILL

	2023 RMB'000	2022 RMB'000
At 1 January		
Cost	**11,024,553**	10,087,487
Accumulated impairment	**(687,500)**	(687,500)
Net carrying amount	**10,337,053**	9,399,987
Cost at 1 January, net of accumulated impairment	**10,337,053**	9,399,987
Acquisitions of subsidiaries	**413,733**	739,361
Impairment during the year	**—**	(180,000)
Disposal of subsidiaries *(note 42)*	**—**	(59,244)
Exchange realignment	**101,213**	436,949
Net carrying amount at 31 December	**10,851,999**	10,337,053

17. GOODWILL (Continued)

	2023 RMB'000	2022 RMB'000
At 31 December		
Cost	**11,539,499**	11,024,553
Accumulated impairment	**(687,500)**	(687,500)
Net carrying amount	**10,851,999**	10,337,053

	2023 RMB'000	2022 RMB'000
Goodwill of Gland Pharma and subsidiaries*/**/***	**4,247,603**	3,969,350
Goodwill of Fosun Antejin and subsidiaries	**1,168,983**	1,168,983
Goodwill of Sisram Medical and subsidiaries*/***	**900,977**	774,344
Goodwill of Foshan Fosun Chancheng Hospital, Zhuhai Chancheng & Xinshi Hospital	**680,808**	680,808
Goodwill of Hengsheng Hospital	**636,933**	636,933
Goodwill of Aohong Pharma and subsidiaries	**616,231**	616,231
Goodwill of Yao Pharma and subsidiaries	**572,670**	572,670
Goodwill of Suzhou Erye	**503,373**	503,373
Goodwill of Breas*	**297,363**	291,071
Goodwill of Xingmai Technology	**275,653**	275,653
Goodwill of Red Flag Pharma	**205,952**	205,952
Goodwill of Tridem Pharma**	**172,662**	163,076
Goodwill of Wanbang Pharma and subsidiaries	**83,765**	83,765
Goodwill of other subsidiaries***	**489,026**	394,844
	10,851,999	10,337,053

* Goodwill of Gland Pharma, Sisram Medical and Breas is measured in USD, and goodwill of Alma Hong Kong 2023 Limited is measured in RMB.

** Goodwill of Tridem Pharma and Phixen SAS is measured in EUR.

*** The increase in goodwill during the reporting period was mainly due to the acquisition of Phixen SAS, Alma Hong Kong 2023 Limited and Jianjia Medical Investment Management Co.,Ltd..

The English names of the companies registered in the PRC represent the best efforts made by the management of the Company in directly translating the Chinese names of these companies.

17. GOODWILL (Continued)

Impairment testing of goodwill

Movements in the provisions for impairment of goodwill are as follows:

2023	At beginning of year RMB'000	Additions RMB'000	Disposals RMB'000	At end of year RMB'000
Provisions for impairment of:				
Goodwill of Fosun Antejin and subsidiaries	**202,500**	**—**	**—**	**202,500**
Goodwill of Foshan Fosun Chancheng Hospital, Zhuhai Chancheng & Xinshi Hospital	**15,000**	**—**	**—**	**15,000**
Goodwill of Aohong Pharma and subsidiaries	**390,000**	**—**	**—**	**390,000**
Goodwill of Breas	**80,000**	**—**	**—**	**80,000**
	687,500	**—**	**—**	**687,500**

2022	At beginning of year RMB'000	Additions RMB'000	Disposals RMB'000	At end of year RMB'000
Provisions for impairment of:				
Goodwill of Fosun Antejin and subsidiaries	202,500	—	—	202,500
Goodwill of Foshan Fosun Chancheng Hospital, Zhuhai Chancheng & Xinshi Hospital	15,000	—	—	15,000
Goodwill of Aohong Pharma and subsidiaries	210,000	180,000	—	390,000
Goodwill of Breas	80,000	—	—	80,000
	507,500	180,000	—	687,500

Amount to RMB413,733,000 of goodwill increased through acquiring subsidiaries of Phixen SAS, Alma Hong Kong 2023 Limited and Jianjia Medical Investment Management Co.,Ltd. during the year (note 41).

Information about the cash-generating units or the groups of cash-generating units in which goodwill is held is as follows:

The goodwill of Phixen SAS, which was newly acquired during the year, was allocated to Gland Pharma and its subsidiaries' groups of cash-generating units with the following considerations: Phixen SAS became a wholly-owned subsidiary of Gland Pharma, and the Phixen SAS Group's CDMO business model aligned with Gland Pharma's long-term development plan. Upon completion of the transaction, Gland Pharma would expand its product and service supply capabilities in the European market by acquiring the local production base in Europe. At the same time, it was conducive to enhancing Gland Pharma's development, manufacturing and supply capacity of complex formulations and biological products, and enriching its customer resources.

17. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Goodwill generated during the year from the acquisition of business (including the underlying assets) by Alma Hong Kong 2023 Limited, a subsidiary of the Group, was allocated to the group of cash-generating units of Sisram and its subsidiaries. The main considerations were as follows: Alma Hong Kong 2023 Limited was a subsidiary of Sisram, and the target business was all business activities related to direct sales of products of Alma Lasers, Ltd. conducted by PhotonMed International Limited. PhotonMed International Limited has been the exclusive distributor of Alma Lasers,Ltd since 2003, who mainly engaged in the direct sales of medical and beauty products in the Chinese market. The acquisition would contribute to (i) enable Alma Lasers, Ltd. to control significant direct sales channels and enhance profitability; (ii) enhance the market leadership position of Alma Lasers, Ltd., promote to deep cultivation and sinking in the Chinese market, and strengthen brand awareness; and (iii) accelerate the linkage and empowerment of the company's various businesses, promote the company's globalization process and the in-depth development of its business in China, and continue to build a beautiful and healthy ecosystem.

The goodwill arising from the new acquisition of Jianjia Medical Investment Management Co.,Ltd. during the year was recognised at provisional amounts at 31 December 2023, as the valuation of the fair value of the identifiable assets and liabilities at the acquisition date had not been completed by the date of the approval of the consolidated financial statements for the year ended 31 December 2023, and the corresponding cash-generating unit or group of cash-generating units was also being assessed.

The cash flows generated from each subsidiary acquired are independent from those of the other subsidiaries of the Group. Therefore, each of these acquired subsidiaries is a separate cash-generating unit. Management considered that the synergies arising from each acquisition mainly benefited the corresponding acquired subsidiary. Therefore, in performing the impairment test, the goodwill generated from each acquisition is allocated to the corresponding subsidiary acquired. Except for the group of cash-generating units of Gland Pharma and subsidiaries and the group of cash-generating units of Sisram and subsidiaries resulting from new acquisitions, the other cash-generating unit or group of cash-generating units was consistent with those recognized at the time of goodwill impairment tests in previous years.

Assumptions were used in the value-in-use calculation of all the cash-generating units or the groups of cash-generating units for 31 December 2023 and 31 December 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(1) The Group under evaluation continues to operate and there are no major changes affecting the key aspects of production and operations and the current situation in terms of business scope, sales model, channels and management.

(2) The socio-economic environment in which the group under evaluation is located does not cause major changes and there are no major changes in relevant laws, regulations, policies and regulations.

(3) The business scope, operating mode, and management mode of the group under evaluation are consistent and continuously adjusted with the development of the economy.

(4) The interest rate, exchange rate, tax base and tax rate will not change significantly within the normal range prescribed by the state.

17. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Forecasted revenue — The basis for determining this growth rate is an appropriate increase based on projected market developments on the basis of forecasted revenue achieved in the previous year.

Forecasted profit margin — The basis used to determine the value assigned to the forecasted profit margin is the average profit margin achieved in the year immediately before the forecast year, adjusted for expected efficiency adjustments and expected market development.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

The growth rates beyond the forecast period — The growth rates beyond the forecast period are the rate of inflation.

The recoverable amount was determined at the present value of the projected future cash flows of the cash-generating units or the groups of cash-generating units. According to the financial forecast for 5–9 years approved by management, the revenue growth rate for the forecast period was 5.76% to 31.38%, and the gross margin was 16.62% to 82.53%.

Goodwill of Gland Pharma and subsidiaries

Gland Pharma, founded in 1978 and headquartered in Hyderabad, India, is a generic injection company with R&D capabilities for original pharmaceuticals and preparations. At present, it mainly provides manufacturing services of generic injection for large-scale pharmaceutical companies worldwide. Gland Pharma is the first Indian manufacturer of injectable pharmaceuticals approved by Food and Drug Administration of the United States of America, and has the ability to register and sell drugs in the regulatory markets. Its products are mainly sold to the United States and Europe. On November 2020, Gland Pharma was listed on BSE limited and national stock exchange of India limited. The Group regularly evaluates the above-mentioned operating activities and unifies the resource allocation based on the evaluation results. Therefore, Gland Pharma and subsidiaries as a whole is recognized as a group of cash-generating units, which belongs to the pharmaceutical manufacturing segment. The recoverable amount is determined based on the present value of the expected future cash flows of the group of cash-generating units. According to the 9-year financial forecast approved by the management, the revenue growth rate for Gland and its subsidiaries beyond the forecast period is 2.30% (2022: 2.30%). The discount rate applicable to future cash flows is 16.06% (2022: 14.99%). According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of Gland and subsidiaries' group of cash-generating units. The Group believes that there is no impairment of the goodwill during 2023. This group of cash-generating units mainly consists of Gland Pharma and Phixen SAS, and the cash flows generated are independent from those of other cash-generating units or groups of cash-generating units.

17. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Goodwill of Fosun Antejin and subsidiaries

Fosun Antejin was established on 6 July 2012. Fosun Antejin and its subsidiaries have a number of patents including 13-valent pneumonia conjugate vaccine (multivalent conjugate), influenza vaccine, pertussis vaccine and rabies vaccine. The Group regularly evaluates the above-mentioned operating activities and unifies the resource allocation based on the evaluation results. Therefore, Fosun Antejin and its subsidiaries as a whole is recognized as a group of cash-generating units, which belongs to the pharmaceutical manufacturing segment. The recoverable amount is determined based on the present value of the expected future cash flows of the group of cash-generating units. According to the 9-year financial forecast approved by the management, the revenue growth rate for Fosun Antejin and its subsidiaries beyond the forecast period is 2.30% (2022: 2.30%). The discount rate applicable to future cash flows is 14.88% (2022: 15.77%). According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of Fosun Antejin and subsidiaries' group of cash-generating units. The Group believes that there is no impairment of the goodwill during 2023. This group of cash-generating units mainly consists of Fosun Antejin and Dalian Aleph, and the cash flows generated are independent from those of other cash-generating units or groups of cash-generating units.

Goodwill of Sisram Medical and subsidiaries

Sisram Medical is a manufacturer of medical lasers, photonics and Radio Frequency equipment in Israel. Sisram Medical ranks in the forefront of the medical beauty market, and has formed a strong competitive advantage in design capabilities, cost control, and customer base. Its medical laser and optical equipment is mainly used in dermatology, orthopedics, burn surgery, laser and many other fields, and Sisram Medical and subsidiaries are dedicated to provide the comprehensive solution with core of top technology for the medical beauty market. Sisram Medical merged downstream distributor Nova Medical Israel Ltd. to integrate its sales channels in the Israel market during 2019. In 2023, Sisram Medical completed the acquisition of PhotonMed brand and channel, a leading energy source equipment distributor and strategic partner of Alma in China, achieving a direct sales layout for medical beauty business in the Chinese market. The Group regularly evaluates the above-mentioned business activities and unifies resource allocation based on the evaluation results. Therefore, Sisram Medical and its subsidiaries as a whole is recognised as a group of cash-generating units, which belongs to the medical devices and medical diagnosis segment. According to the 5-year financial forecast approved by the management, the revenue growth rate for Sisram Medical and its subsidiaries beyond the forecast period is 2.30% (2022: 2.30%). The discount rate applicable to future cash flows is 17.75% (2022: 16.70%). According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of Sisram Medical and subsidiaries' group of cash-generating units. The Group believes that there is no impairment of the goodwill during 2023. This group of cash-generating units mainly consists of Alma Lasers, Ltd., Nova and Alma Hong Kong 2023 Limited, and the cash flows generated are independent from those of other cash-generating units or groups of cash-generating units.

17. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Goodwill of Foshan Fosun Chancheng Hospital, Zhuhai Chancheng & Xinshi Hospital

Foshan Fosun Chancheng Hospital is a national third-grade class-A hospital which integrates medical treatment, rehabilitation, scientific research and teaching in Foshan, Guangdong Province. Zhuhai Chancheng Hospital in Zhuhai City, Guangdong Province is a second-class hospital approved by Zhuhai Health and Family Planning Bureau. Xinshi Hospital is a third-class general hospital which integrates medical treatment, teaching, prevention and health care in Guangzhou, Guangdong Province. As the above-mentioned hospitals are located in South China, they have synergy and relevance in terms of acquisition purpose, integration progress, overall evaluation, resource allocation and business operation. Therefore, Foshan Fosun Chancheng Hospital, Zhuhai Chancheng & Xinshi Hospital as a whole is recognised as a group of cash-generating units, which belongs to the Healthcare service segment. According to the 9-year financial forecast approved by the management, the revenue growth rate for Foshan Fosun Chancheng Hospital, Zhuhai Chancheng & Xinshi Hospital beyond the forecast period is 2.30% (2022: 2.30%). The discount rate applicable to future cash flows is 15.67% (2022: 15.74%). According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of Foshan Fosun Chancheng Hospital, Zhuhai Chancheng & Xinshi Hospital's group of cash-generating units. The Group believes that there is no impairment of the goodwill during 2023. This group of cash-generating units mainly consists of Foshan Fosun Chancheng Hospital, Zhuhai Chancheng & Xinshi Hospital, and the cash flows generated are independent from those of other cash-generating units or groups of cash-generating units.

Goodwill of Hengsheng Hospital

Hengsheng Hospital is a large-scale modern comprehensive Tertiary Hospital approved by the Health and Family Planning Commission of Guangdong Province, which integrates medical treatment, scientific research, teaching, rehabilitation and preventive health care. It is mainly engaged in healthcare service and is the designated medical institution for social medical insurance in Shenzhen. Shenzhen Workers' Injury Insurance Hospital, Shenzhen Children's Medical Insurance Hospital, Shenzhen 120 Emergency Medical Center Network Hospital, Shenzhen Baoan District Science Education Base, Teaching Hospital of Guangdong Medical College. The Group regularly evaluates the above-mentioned operating activities and unifies resource allocation based on the evaluation results. Hengsheng Hospital specialises in healthcare service and generates operating cash flow independently. Therefore, Hengsheng Hospital as a whole is recognised as a group of cash-generating units, which belongs to the Healthcare service segment. According to the 9-year financial forecast approved by the management, the revenue growth rate for Hengsheng Hospital beyond the forecast period is 2.30% (2022: 2.30%). The discount rate applicable to future cash flows is 17.08% (2022: 16.99%). According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of Hengsheng Hospital's group of cash-generating units. The Group believes that there is no impairment of the goodwill during 2023. This cash-generating unit mainly consists of Hengsheng Hospital, and the cash flows generated are independent from those of other cash-generating units or groups of cash-generating units.

17. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Goodwill of Aohong Pharma and subsidiaries

Aohong Pharma and subsidiaries focus on pharmaceutical products whose major products included Aodejin (Calf blood serum injection), Bangting (Hemocoagulase for injection) and others. In 2019, Aohong Pharma obtained first class listed pharmaceutical chemicals Penehyclidine hydrochloride injection (Changtuoning) through acquiring Chengdu List Pharmaceutical Co., Ltd. (hereinafter called the "List Pharma"). Meanwhile, Aohong Pharma recombined its own business with those of List Pharma, improving the strategic layout by transferring the production of Changtuoning and integrate the sales channels. The group has overall assessment for mentioned-above operating activities regularly, and allocates resources accordingly; therefore, Aohong Pharma and its subsidiaries as a whole is recognised as a group of cash-generating units, which belongs to the pharmaceutical manufacturing segment. The recoverable amount is determined based on the present value of the expected future cash flows of the asset portfolio. According to the 9-year financial forecast approved by the management, the revenue growth rate for Aohong Pharma and its subsidiaries beyond the forecast period is 2.30% (2022: 2.30%). The discount rate applicable to future cash flows is 14.36% (2022: 14.77%). According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of Aohong Pharma and subsidiaries' group of cash-generating units. The Group believes that there is no impairment of the goodwill during 2023. This group of cash-generating units mainly consists of Aohong Pharma and Chengdu List, and the cash flows generated are independent from those of other cash-generating units or groups of cash-generating units.

Goodwill of Yao Pharma and subsidiaries

The group of cash-generating units belongs to the pharmaceutical manufacturing segment. The recoverable amount is determined based on the present value of the expected future cash flows of the group of cash-generating units. According to the 9-year financial forecast approved by the management, the revenue growth rate for Yao Pharma and its subsidiaries beyond the forecast period is 2.30% (2022: 2.30%). The discount rate applicable to future cash flows is 17.13% (2022: 15.08%). According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of Yao Pharma and subsidiaries' group of cash-generating units. The Group believes that there is no impairment of the goodwill during 2023. This group of cash-generating units mainly consists of Sichuan Hexin, Dongting Pharma, Liaoning Shinsun Pharma and Beijing Jiluohua, and the cash flows generated are independent from those of other cash-generating units or groups of cash-generating units.

Goodwill of Suzhou Erye

Suzhou Erye is a comprehensive pharmaceutical company that produces APIs, powder injections (including penicillins, cephalosporins), freeze-dried powders and oral preparations. The Group regularly evaluates the above-mentioned business activities and unifies the resource allocation based on the evaluation results. Therefore, Suzhou Erye as a whole is recognised as a group of cash-generating units, which belongs to the pharmaceutical manufacturing segment. The recoverable amount is determined based on the present value of the expected future cash flows of the asset portfolio. According to the 9-year financial forecast approved by the management, the revenue growth rate for Suzhou Erye beyond the forecast period is 2.30% (2022: 2.30%). The discount rate applicable to future cash flows is 15.79% (2022: 14.50%). According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of Suzhou Erye's group of cash-generating units. The Group believes that there is no impairment of the goodwill during 2023. This cash-generating unit mainly consists of Suzhou Erye, and the cash flows generated are independent from those of other cash-generating units or groups of cash-generating units.

17. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Goodwill of Breas

The cash-generating unit belongs to the medical devices and medical diagnosis segment. The recoverable amount is determined based on the present value of the expected future cash flows of the cash-generating unit. According to the 9-year financial forecast approved by the management, the revenue growth rate for Breas beyond the forecast period is 2.00% (2022: 2.30%). The discount rate applicable to future cash flows is 16.20% (2022: 16.56%). According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of Breas's cash-generating unit. The Group believes that there is no impairment of the goodwill during 2023. This cash-generating unit mainly consists of Breas, and the cash flows generated are independent from those of other cash-generating units or groups of cash-generating units.

Goodwill of Xingmai Technology

The cash-generating unit belongs to the other business operations segment. The recoverable amount is determined based on the present value of the expected future cash flows of the cash-generating unit. According to the 9-year financial forecast approved by the management, the revenue growth rate for Xingmai Technology beyond the forecast period is 2.30% (2022: 2.30%). The discount rate applicable to future cash flows is 14.27% (2022: 15.98%). According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of Xingmai Technology's cash-generating unit. The Group believes that there is no impairment of the goodwill during 2023. This cash-generating unit mainly consists of Xingmai Technology, and the cash flows generated are independent from those of other cash-generating units or groups of cash-generating units.

Goodwill of Red Flag Pharma

The cash-generating unit belongs to the pharmaceutical manufacturing segment. The recoverable amount is determined based on the present value of the expected future cash flows of the cash-generating unit. According to the 9-year financial forecast approved by the management, the revenue growth rate for Red Flag Pharma beyond the forecast period is 2.30% (2022: 2.30%). The discount rate applicable to future cash flows is 14.61% (2022: 15.40%). According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of Red Flag Pharma's cash-generating unit. The Group believes that there is no impairment of the goodwill during 2023. This cash-generating unit mainly consists of Red Flag Pharma, and the cash flows generated are independent from those of other cash-generating units or groups of cash-generating units.

Goodwill of Tridem Pharma

The cash-generating unit belongs to the pharmaceutical manufacturing segment. The recoverable amount is determined based on the present value of the expected future cash flows of the cash-generating unit. According to the 9-year financial forecast approved by the management, the revenue growth rate for Tridem Pharma beyond the forecast period is 2.30% (2022: 2.30%). The discount rate applicable to future cash flows is 18.46% (2022: 19.47%). According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of Tridem Pharma's cash-generating unit. The Group believes that there is no impairment of the goodwill during 2023. This cash-generating unit is mainly composed of Tridem Pharma, and the cash flows generated are independent from those of other cash-generating units or groups of cash-generating units.

17. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Goodwill of Wanbang Pharma and subsidiaries

The group of cash-generating units belongs to the pharmaceutical manufacturing segment. The recoverable amount is determined based on the present value of the expected future cash flows of the group of cash-generating units. According to the 9-year financial forecast approved by the management, the revenue growth rate for Wanbang Pharma and its subsidiaries beyond the forecast period is 2.30% (2022: 2.30%). The discount rate applicable to future cash flows is 17.22% (2022: 17.29%). According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of Wanbang Pharma and subsidiaries' group of cash-generating units. The Group believes that there is no impairment of the goodwill during 2023. This group of cash-generating units mainly consists of Wanbang Pharma, Wanbang Tiansheng and Wanbang Sinock, and the cash flows generated are independent from those of other cash-generating units or groups of cash-generating units.

The Group's calculation of the present value (recoverable amount) of the estimated future cash flows of the cash-generating units or the groups of cash-generating units of Gland Pharma and subsidiaries, Fosun Antejin and subsidiaries, Foshan Fosun Chancheng Hospital, Zhuhai Chancheng & Xinshi Hospital, Hengsheng Hospital, Aohong Pharma and subsidiaries , Xingmai Technology, Breas and Red Flag Pharma was also referred to the results of Shanghai Orient Appraisal Co., Ltd.'s report on 26 March 2024 No. 0386 of Orient Appraisal Evaluation Report [2024] "The assessment report of the recoverable amount of eight related cash-generating units or groups of cash-generating units for the purpose of financial reporting of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.".

18. OTHER INTANGIBLE ASSETS

	Year ended 31 December 2023							
	Medicine licences RMB'000	Patents and technical know-how RMB'000	Office software RMB'000	Trademarks RMB'000	Business networks RMB'000	Deferred development costs RMB'000	Operating concession rights RMB'000	Total RMB'000
Cost:								
At 1 January 2023	3,409,252	5,881,634	304,702	1,110,517	2,039,430	3,458,041	1,264,626	17,468,202
Additions	—	111,281	75,265	19	19,067	1,295,212	588,585	2,089,429
Acquisition of subsidiaries *(note 41)*	51,440	81,619	83,760	90,322	388,649	—	—	695,790
Transfer	693,919	137,853	—	—	—	(831,772)	—	—
Disposals	—	(29,916)	(2,049)	—	—	—	—	(31,965)
Exchange realignment	697	32,085	3,414	4,612	24,184	—	6,212	71,204
At 31 December 2023	4,155,308	6,214,556	465,092	1,205,470	2,471,330	3,921,481	1,859,423	20,292,660
Accumulated amortisation:								
At 1 January 2023	(300,067)	(1,776,852)	(204,962)	(60,701)	(884,744)	(1,711)	(200,381)	(3,429,418)
Acquisition of subsidiaries *(note 41)*	(46,067)	(5,463)	(60,615)	—	(26,197)	—	—	(138,342)
Amortisation for the year	(208,071)	(458,465)	(45,623)	(39,947)	(141,648)	—	(423,287)	(1,317,041)
Disposals	—	29,541	2,049	—	—	—	—	31,590
Exchange realignment	(817)	(14,511)	(2,959)	(13)	(10,442)	—	(168)	(28,910)
At 31 December 2023	(555,022)	(2,225,750)	(312,110)	(100,661)	(1,063,031)	(1,711)	(623,836)	(4,882,121)
Impairment losses:								
At 1 January 2023	(64,000)	(20,614)	—	—	—	(2,070)	(475)	(87,159)
Provision	—	—	—	—	—	(21,592)	—	(21,592)
At 31 December 2023	(64,000)	(20,614)	—	—	—	(23,662)	(475)	(108,751)
Net carrying amount:								
At 31 December 2023	3,536,286	3,968,192	152,982	1,104,809	1,408,299	3,896,108	1,235,112	15,301,788
At 1 January 2023	3,045,185	4,084,168	99,740	1,049,816	1,154,686	3,454,260	1,063,770	13,951,625

18. OTHER INTANGIBLE ASSETS (Continued)

	Year ended 31 December 2022							
	Medicine licences RMB'000	Patents and technical know-how RMB'000	Office software RMB'000	Trademarks RMB'000	Business networks RMB'000	Deferred development costs RMB'000	Operating concession rights RMB'000	Total RMB'000
Cost:								
At 1 January 2022	2,560,328	5,343,052	252,658	338,968	1,855,615	3,158,617	676,562	14,185,800
Additions	—	96,389	42,146	—	—	1,467,174	573,261	2,178,970
Acquisition of subsidiaries	—	209,578	9,372	772,444	183,520	617	—	1,175,531
Transfer	848,967	319,400	—	—	—	(1,168,367)	—	—
Disposals	—	(281)	(4,066)	—	—	—	—	(4,347)
Disposal of subsidiaries *(note 42)*	(4,325)	(62,493)	—	(19,000)	—	—	—	(85,818)
Exchange realignment	4,282	(24,011)	4,592	18,105	295	—	14,803	18,066
At 31 December 2022	3,409,252	5,881,634	304,702	1,110,517	2,039,430	3,458,041	1,264,626	17,468,202
Accumulated amortisation:								
At 1 January 2022	(150,524)	(1,367,520)	(175,382)	(18,736)	(737,941)	(1,711)	(38,185)	(2,489,999)
Acquisition of subsidiaries	—	(656)	(3,959)	—	—	—	—	(4,615)
Amortisation for the year	(151,878)	(434,827)	(26,999)	(41,903)	(143,566)	—	(161,928)	(961,101)
Disposals	—	253	3,908	—	—	—	—	4,161
Disposal of subsidiaries *(note 42)*	2,595	24,665	—	—	—	—	—	27,260
Exchange realignment	(260)	1,233	(2,530)	(62)	(3,237)	—	(268)	(5,124)
At 31 December 2022	(300,067)	(1,776,852)	(204,962)	(60,701)	(884,744)	(1,711)	(200,381)	(3,429,418)
Impairment losses:								
At 1 January 2022	(64,000)	(20,614)	—	—	—	—	(475)	(85,089)
Provision	—	—	—	—	—	(2,070)	—	(2,070)
At 31 December 2022	(64,000)	(20,614)	—	—	—	(2,070)	(475)	(87,159)
Net carrying amount:								
At 31 December 2022	3,045,185	4,084,168	99,740	1,049,816	1,154,686	3,454,260	1,063,770	13,951,625
At 1 January 2022	2,345,804	3,954,918	77,276	320,232	1,117,674	3,156,906	637,902	11,610,712

18. OTHER INTANGIBLE ASSETS (Continued)

As at 31 December 2023, the indefinite-life intangible assets of the Group are as follows:

Asset types	Holders	Net carrying amount RMB'000	Reasons of indefinite life
Medicine licences	Dalian Aleph, Dongting Pharma, Red Flag Pharma, Suzhou Erye	307,000	The extension cost is low and the assets can be used indefinitely
Trademarks	Dalian Aleph, Dongting Pharma, Suzhou Erye	31,000	The extension cost is low and the assets can be used indefinitely
Trademarks	CML, Alma*	205,046	The extension cost is low and the assets can be used indefinitely
Operating concession rights	Hengsheng Hospital	421,710	The extension cost is low and the assets can be used indefinitely
Patents and technical know-how	Shanghai Henlius	48,921	The extension cost is low and the assets can be used indefinitely
		1,013,677	

* Trademarks of CML and Alma are measured in USD.

The Group performs impairment tests for the above individual intangible assets or the respective cash-generating units depending on whether the recoverable amounts of individual intangible assets can be reliably estimated.

Medicine licences

The recoverable amounts of medicine licences have been determined based on a value-in-use calculation using cash flow projections based on a financial budget covering a nine-years period approved by senior management. The discount rates applied to the cash flow projections are in the range of 16.00% to 17.40%. The growth rate used to extrapolate the cash flows beyond the forecast period is 2.30%, which is also an estimate of the rate of inflation.

Trademarks

The recoverable amounts of trademarks have been determined based on a value-in-use calculation using cash flow projections based on a financial budget covering a period of five to nine years period approved by senior management. The discount rates applied to the cash flow projections is 16.80%. The growth rate used to extrapolate the cash flows beyond the forecast period is 2.30%, which is also an estimate of the rate of inflation.

Operating concession rights

The recoverable amounts of operating concession rights have been determined based on a value-in-use calculation using cash flow projection based on a financial budget covering a nine-year period approved by senior management. The discount rate applied to the cash flow projection is 18.58%. The growth rate used to extrapolate the cash flows beyond the forecast period is 2.30%, which is also an estimate of the rate of inflation.

18. OTHER INTANGIBLE ASSETS (Continued)

Patents and technical know-how

The recoverable amounts of the Patents and technical know-how were determined based on the fair value less costs of disposal, and the fair values of non-patent technologies were determined using the relief from the royalty method taking into account the nature of the asset, using cash flow projections based on financial budget approved by the management, and the growth rate used to extrapolate the cash flows beyond the financial budget period is 2.20%, which is close to the long-term inflation rate.

Assumptions were used in the value-in-use calculation for 31 December 2023 and 31 December 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of indefinite-life intangible assets:

Forecasted revenue — The basis for determining this growth rate is an appropriate increase based on projected market developments on the basis of forecasted revenue achieved in the previous year.

Forecasted profit margin — The basis used to determine the value assigned to the forecasted profit margin is the average profit margin achieved in the year immediately before the forecast year, adjusted for expected efficiency adjustments and expected market development.

Discount rates — The discount rates used are the rates of return on investment required by the group.

The growth rates beyond the forecast period — The growth rates beyond the forecast period are the rates of inflation.

The values assigned to key assumptions are consistent with historical experience of the Group and external information sources.

19. INVESTMENTS IN JOINT VENTURES

	2023	2022
	RMB'000	RMB'000
Share of net assets	**78,910**	230,606

The Group's trade receivable balances due from the joint ventures are disclosed in note 26 to the financial statements.

19. INVESTMENTS IN JOINT VENTURES (Continued)

Particulars of the Group's principal joint venture are as follows:

Company name	Place of registration and business	Registered share capital ('000)	Percentage of Ownership interest	Voting power	Profit sharing	Principal activities
Fosun Kite Biotechnology Co., Ltd.*	PRC/ Chinese Mainland	USD214,000	50	50	60	Research and development of medicine

* The English name of the company registered in the PRC represents the best efforts made by the management of the Company in directly translating the Chinese name of this company.

The above investment in joint venture is indirectly held by the Company.

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

	2023 RMB'000	2022 RMB'000
Share of the joint ventures' loss for the year	**(202,030)**	(233,925)
Share of the joint ventures' other comprehensive income/(loss)	**109**	(4,297)
Share of the joint ventures' total comprehensive loss	**(201,921)**	(238,222)
Aggregate carrying amount of the Group's investments in the joint ventures	**78,910**	230,606

20. INVESTMENTS IN ASSOCIATES

	2023 RMB'000	2022 RMB'000
Share of net assets	**23,736,350**	22,769,696
Goodwill on acquisition	**757,478**	759,546
Subtotal	**24,493,828**	23,529,242
Provision for impairment	**(691,715)**	(665,793)
Total	**23,802,113**	22,863,449

20. INVESTMENTS IN ASSOCIATES (Continued)

Movements in the provisions for impairment of investment in associates are as follows:

2023	At beginning of year RMB'000	Additions RMB'000	Disposals RMB'000	At end of year RMB'000
Provisions for impairment of:				
Sovereign Medical Services, Inc.	**222,657**	**—**	**—**	**222,657**
SALADAX	**129,705**	**—**	**—**	**129,705**
Mingyi Zhonghe Technology (Beijing) Co., Ltd.	**64,982**	**—**	**—**	**64,982**
Integrated Endoscopy	**30,097**	**—**	**—**	**30,097**
Others	**218,352**	**61,284**	**35,362**	**244,274**
	665,793	**61,284**	**35,362**	**691,715**

2022	At beginning of year RMB'000	Additions RMB'000	Disposals RMB'000	At end of year RMB'000
Provisions for impairment of:				
Sovereign Medical Services, Inc.	222,657	—	—	222,657
SALADAX	129,705	—	—	129,705
Mingyi Zhonghe Technology (Beijing) Co., Ltd.	64,982	—	—	64,982
Integrated Endoscopy	30,097	—	—	30,097
Others	218,352	—	—	218,352
	665,793	—	—	665,793

20. INVESTMENTS IN ASSOCIATES (Continued)

Particulars of the Group's principal associates are as follows:

Company name*	Place of incorporation/ registration and business	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
Sinopharm Industrial Investment Co., Ltd. (國藥產業投資有限公司)	PRC/ Chinese Mainland	RMB100,000	49	—	Investment Management
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (北京金象復星醫藥股份有限公司)	PRC/ Chinese Mainland	RMB127,418	50	—	Distribution and retail of medicine
Nature's Sunshine Products, Inc. ("NSP")@	U.S.A./ U.S.A.	Not applicable	14.89	0.39	Manufacture and trading of nutrition products
Fosun Group Finance Corporation Limited ("Fosun Finance")	PRC/ Chinese Mainland	RMB1,500,000	20	—	Advisory on deposits and loans, finance and funding, for Fosun Group member companies
Huaihai Hospital Management (Xuzhou) Co., Ltd. (淮海醫院管理(徐州)有限公司)	PRC/ Chinese Mainland	RMB714,290	—	35	Investment management
Yaneng Bioscience (Shenzhen) Co., Ltd (亞能生物技術(深圳)有限公司)	PRC/ Chinese Mainland	HKD12,269	20	—	Research and development and production of Medical devices

* The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of these companies.

@ The Group's investments in these associates are accounted for under the equity method of accounting because the Group has significant influence over these entities by way of representation on the board of directors and participation in the policy-making process, despite the fact that the Group's direct or indirect equity interests in these associates were lower than 20% for the year ended 31 December 2023.

The above table lists the associates of the Group which, in the opinion of the directors of the Company, principally affected the results of the Group for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

20. INVESTMENTS IN ASSOCIATES (Continued)

Sinopharm Industrial Investment Co., Ltd. ("Sinopharm Industrial"), which is considered a material associate of the Group, has significant impact on the share of profits and losses of associates and is accounted for using the equity method.

The following table illustrates the summarised financial information of Sinopharm Industrial, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2023	2022
	RMB'000	RMB'000
Revenue	**596,569,565**	552,147,550
Profit for the year	**14,993,794**	14,332,536
Other comprehensive income	**8,395**	4,473
Total comprehensive income for the year	**15,002,189**	14,337,009
Profit for the year attributable to owners of the parent of Sinopharm Industrial	**4,553,856**	4,288,695
Current assets	**335,769,893**	317,699,289
Non-current assets	**47,566,886**	47,019,848
Current liabilities	**(241,419,075)**	(234,896,225)
Non-current liabilities	**(21,300,812)**	(19,441,180)
Net assets	**120,616,892**	110,381,732
Net assets attributable to owners of the parent of Sinopharm Industrial	**37,897,955**	34,615,362
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**49%**	49%
Group's share of net assets of the associate	**18,569,998**	16,961,527
Goodwill on acquisition (less cumulative impairment)	**—**	—
Carrying amount of the investment	**18,569,998**	16,961,527
Dividend received by the Group	**633,947**	578,200

20. INVESTMENTS IN ASSOCIATES (Continued)

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/(loss) for the year	**155,489**	(32,390)
Share of the associates' other comprehensive loss	**(6,825)**	(7,564)
Share of the associates' total comprehensive income/(loss)	**148,664**	(39,954)
Aggregate carrying amount of the Group's investments in the associates	**5,232,115**	5,901,922

21. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 RMB'000	2022 RMB'000
Equity investments designated at fair value through other comprehensive income		
Listed equity investments, at fair value		
Sichuan Huiyu Pharmaceutical Co., Ltd.	**11,619**	11,973
Adicon Holdings Limited	**37,584**	—
Others	**3,571**	3,478
Total	**52,774**	15,451

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the year ended 31 December 2023, the Group received dividends in the amounts of RMB203,000 (2022: RMB200,000).

22. DEFERRED TAX

The movements in deferred tax assets/(liabilities) during the year are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits RMB'000	Provision for impairment of assets RMB'000	Depreciation and amortisation RMB'000	Accrued expenses RMB'000	Unrealised profit RMB'000	Deferred income RMB'000	Fair value adjustments arising from acquisitions of subsidiaries RMB'000	Lease liabilities RMB'000	Total RMB'000
At 31 December 2022	117,995	55,312	7,289	149,618	92,179	71,924	7,654	1,383	503,354
Effect of adoption of amendments to HKAS12 *(note 2.2(c))*	—	—	—	—	—	—	—	77,632	77,632
At 1 January 2023 (restated)	117,995	55,312	7,289	149,618	92,179	71,924	7,654	79,015	580,986
Acquisitions of subsidiaries *(note 41)*	118,209	—	—	28,432	—	—	—	—	146,641
Deferred tax credited/(charged) to the statement of profit or loss during the year	51,707	(8,910)	(945)	1,367	7,837	(22,142)	(4,351)	152,664	177,227
Gross deferred tax assets at 31 December 2023	287,911	46,402	6,344	179,417	100,016	49,782	3,303	231,679	904,854

22. DEFERRED TAX (Continued)

The movements in deferred tax assets/(liabilities) during the year are as follows: (Continued)

Deferred tax liabilities

	Fair value re-measurements of the remaining equity interest in associates arising from the disposal of subsidiaries and other temporary differences RMB'000	Deemed disposal of associates RMB'000	Fair value adjustments arising from financial assets at fair value through profit or loss RMB'000	Fair value adjustments of equity investment designated at fair value RMB'000	Fair value adjustments arising from acquisitions of subsidiaries RMB'000	Depreciation RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 31 December 2022	199,496	1,163,439	2,797	431	1,800,995	256,566	—	3,423,724
Effect of adoption of amendments to HKAS12 *(note 2.2(c))*	—	—	—	—	—	—	77,632	77,632
At 1 January 2023 (restated)	199,496	1,163,439	2,797	431	1,800,995	256,566	77,632	3,501,356
Acquisitions of subsidiaries *(note 41)*	—	—	—	—	186,871	4,725	—	191,596
Deferred tax (credited)/charged to the statement of profit or loss during the year	—	—	33	—	(113,836)	(20,594)	151,922	17,525
Deferred tax charged to reserves during the year	—	—	—	152	—	—	—	152
Exchange differences	948	—	—	—	13,997	—	—	14,945
Gross deferred tax liabilities at 31 December 2023	200,444	1,163,439	2,830	583	1,888,027	240,697	229,554	3,725,574

22. DEFERRED TAX (Continued)

The movements in deferred tax assets/(liabilities) during the year are as follows: (Continued)

Deferred tax assets

	Losses available for offsetting against future taxable profits RMB'000	Provision for impairment of assets RMB'000	Depreciation and amortisation RMB'000	Accrued expenses RMB'000	Unrealised profit RMB'000	Deferred income RMB'000	Fair value adjustments arising from acquisitions of subsidiaries RMB'000	Lease liabilities RMB'000	Total RMB'000
At 31 December 2021	32,281	75,498	6,539	95,354	49,572	76,636	9,146	1,247	346,273
Effect of adoption of amendments to HKAS12 *(note 2.2(c))*	—	—	—	—	—	—	—	48,852	48,852
At 1 January 2022 (restated)	32,281	75,498	6,539	95,354	49,572	76,636	9,146	50,099	395,125
Acquisitions of subsidiaries	—	1,020	675	41,185	—	—	—	—	42,880
Disposal of subsidiaries *(note 42)*	—	(569)	—	—	—	—	—	—	(569)
Deferred tax credited/(charged) to the statement of profit or loss during the year	85,714	(20,637)	75	13,079	42,607	(4,712)	(1,492)	28,916	143,550
Gross deferred tax assets at 31 December 2022 (restated)	117,995	55,312	7,289	149,618	92,179	71,924	7,654	79,015	580,986

22. DEFERRED TAX (Continued)

The movements in deferred tax assets/(liabilities) during the year are as follows: (Continued)

Deferred tax liabilities

	Fair value re-measurements of the remaining equity interest in associates arising from the disposal of subsidiaries and other temporary differences RMB'000	Deemed disposal of associates RMB'000	Fair value adjustments arising from financial assets at fair value through profit or loss RMB'000	Fair value adjustments of equity investment designated at fair value RMB'000	Fair value adjustments arising from acquisitions of subsidiaries RMB'000	Depreciation RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 31 December 2021	194,769	1,163,439	2,803	717	1,628,371	220,331	—	3,210,430
Effect of adoption of amendments to HKAS12 *(note 2.2(c))*	—	—	—	—	—	—	48,852	48,852
At 1 January 2022 (restated)	194,769	1,163,439	2,803	717	1,628,371	220,331	48,852	3,259,282
Acquisitions of subsidiaries	—	—	—	—	293,454	—	—	293,454
Deferred tax (credited)/charged to the statement of profit or loss during the year	—	—	(6)	—	(109,957)	36,235	28,780	(44,948)
Disposals of subsidiaries *(note 42)*	—	—	—	—	(7,651)	—	—	(7,651)
Deferred tax charged to reserves during the year	—	—	—	(286)	—	—	—	(286)
Exchange differences	4,727	—	—	—	(3,222)	—	—	1,505
Gross deferred tax liabilities at 31 December 2022 (restated)	199,496	1,163,439	2,797	431	1,800,995	256,566	77,632	3,501,356

22. DEFERRED TAX (Continued)

Net deferred tax assets and net deferred tax liabilities as at the respective reporting dates are as follows:

	2023		2022	
	Offset amount RMB'000	**Net amount RMB'000**	Offset amount RMB'000	Net amount RMB'000
Deferred tax assets	**280,383**	**624,471**	138,416	442,570
Deferred tax liabilities	**280,383**	**3,445,191**	138,416	3,362,940

Deferred tax assets have not been recognised in respect of the following items as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the following items can be utilised:

	2023 RMB'000	2022 RMB'000
Tax losses	**11,138,269**	9,043,112
Deductible temporary differences	**1,780,646**	1,590,402
	12,918,915	10,633,514

There are no income tax consequences attaching to the payments of dividends by the Company to its shareholders.

23. TRADE AND BILLS RECEIVABLES — NON CURRENT

	2023 RMB'000	2022 RMB'000
Trade receivables	**90,435**	96,746
Impairment	**(5,112)**	(5,083)
Net carrying amount	**85,323**	91,663

23. TRADE AND BILLS RECEIVABLES — NON CURRENT (Continued)

Movements in the loss allowance for impairment of trade receivables are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	**5,083**	395
Impairment losses, net	**901**	4,257
Amounts written off as uncollectible	**(939)**	—
Exchange realignment	**67**	431
At end of year	**5,112**	5,083

24. OTHER NON-CURRENT ASSETS

	2023 RMB'000	2022 RMB'000
Prepayments for purchase of items of property, plant and equipment	**1,431,182**	1,367,007
Prepayments for acquisitions of an associate company and subsidiaries	**265,486**	—
Prepayments for purchase of other intangible assets	**694,566**	976,564
Deposits for purchase of prepaid land lease payments	**22,200**	7,600
Loans to a related party	**196,743**	121,140
Others	**96,451**	484,438
Total	**2,706,628**	2,956,749

Included in the Group's other non-current assets are amounts due from a related party of the Group of RMB966,942,000 (2022: RMB906,596,000) arising from prepayments for purchase of items of property, plant and equipment. The balances were non-interest-bearing. In addition, included in the Group's other non-current assets are amounts due from a joint venture of the Group of RMB196,743,000 (2022: RMB121,140,000) with an annual interest rate of 4.73%.

25. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	**2,199,240**	2,639,494
Work in progress	**1,323,919**	1,159,271
Finished goods	**3,534,766**	3,105,468
Spare parts and consumables	**664,557**	139,150
Others	**80,622**	40,068
	7,803,104	7,083,451
Less: Provision	**(265,336)**	(201,019)
Total	**7,537,768**	6,882,432

26. TRADE AND BILLS RECEIVABLES/DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 RMB'000	2022 RMB'000
Trade receivables	**7,643,737**	7,588,099
Bills receivable	**24,492**	24,843
Total	**7,668,229**	7,612,942

	2023 RMB'000	2022 RMB'000
Debt investments at fair value through other comprehensive income	**642,569**	558,927

If an entity's business model for the management of bank notes is aimed at both the collection of contract cash flows and the sale, it is classified as financial assets measured at fair value through other comprehensive income.

The credit period for trade receivables is generally three months, which may be extended up to six months for major customers. Trade and bills receivables are non-interest-bearing.

26. TRADE AND BILLS RECEIVABLES/DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

An ageing analysis of trade receivables, based on the invoice date and net of loss allowance, as at the respective reporting dates is as follows:

	2023 RMB'000	2022 RMB'000
Within 1 year	**7,436,979**	7,519,069
1 to 2 years	**333,408**	198,235
2 to 3 years	**77,594**	29,153
Over 3 years	**64,952**	48,834
Total	**7,912,933**	7,795,291
Less: Loss allowance for impairment	**(269,196)**	(207,192)
Net Carrying Amount	**7,643,737**	7,588,099

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

	2023 RMB'000	2022 RMB'000
At beginning of year	**207,192**	326,380
Impairment losses, net	**109,461**	57,925
Amounts written off as uncollectible	**(47,457)**	(165,168)
Decrease due to disposal of subsidiaries	**—**	(11,945)
At end of year	**269,196**	207,192

The increase (2022: decrease) in the loss allowance was due to the following significant changes in the gross carrying amount:

(i) Increase in the loss allowance of RMB163,929,000 as a result of an increase in trade receivables which were past due for within 1 year and 1 to 2 years (2022: increase in the loss allowance of RMB71,952,000 as a result of an increase in trade receivables which were current and past due for within 1 year and 1 to 2 years);

(ii) Decrease in the loss allowance of RMB54,468,000 (2022: RMB14,027,000) as a result of the receipt of outstanding trade receivables balances;

(iii) Decrease in the loss allowance of RMB47,457,000 (2022: RMB165,168,000) as a result of the write-off of certain trade receivables; and

(iv) Decrease in the loss allowance of nil (2022: RMB11,945,000) as a result of the disposal of subsidiaries.

26. TRADE AND BILLS RECEIVABLES/DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2023

		Past due				
	Current	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	**1.07%**	**5.41%**	**100.00%**	**100.00%**	**100.00%**	**3.40%**
Gross carrying amount (RMB'000)	**6,309,557**	**1,481,702**	**61,978**	**17,191**	**42,505**	**7,912,933**
Expected credit losses (RMB'000)	**67,319**	**80,203**	**61,978**	**17,191**	**42,505**	**269,196**

As at 31 December 2022

		Past due				
	Current	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	1.15%	3.17%	100.00%	100.00%	100.00%	2.66%
Gross carrying amount (RMB'000)	6,095,333	1,614,328	35,658	19,803	30,169	7,795,291
Expected credit losses (RMB'000)	70,329	51,233	35,658	19,803	30,169	207,192

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Included in the Group's trade receivables are amounts due from the Group's associates of RMB1,037,217,000 (2022: RMB1,126,384,000), the Group's joint ventures of RMB4,000 (2022: RMB3,048,000) and other related companies of RMB191,724,000 (2022: RMB29,765,000). There was no bills receivable due from the Group's associates (2022: nil). Included in the Group's debt investments at fair value through other comprehensive income are amounts due from the Group's associates of RMB122,882,000 (2022: RMB161,257,000) and other related companies of RMB25,150,000 (2022: Nil). These balances due from associates, joint ventures and other related companies were trade in nature, non-interest-bearing and collectible on credit terms similar to those offered to the major customers of the Group.

27. CONTRACT ASSETS

	2023 RMB'000	2022 RMB'000
Contract assets arising from:		
Research and development services	**82,419**	—
Profit-sharing	**63,468**	—
	145,887	—
Impairment allowance	**—**	—
Total	**145,887**	—

Contract assets are initially recognised for revenue earned from research and development services as the receipt of consideration is based on achieving of operational milestones under development plan. Included in contract assets for research and development services are retention receivables. Upon achievement of operational milestones, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2023 was the result of the increase in the provision of research and development services at the end of the year.

Contract assets are initially recognised for revenue earned from profit-sharing as the receipt of consideration is based on profit earned by the customer from selling the product in the market. Upon achievement of settlement conditions, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2023 was the result of the increase profit from product sales at the end of the year.

During the year ended 31 December 2023, no allowance was recognised for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 26 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	2023 RMB'000	2022 RMB'000
Within one year	**145,887**	—

28. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 RMB'000	2022 RMB'000
Advances to suppliers	**884,582**	1,607,466
Other receivables	**1,373,622**	1,049,017
	2,258,204	2,656,483
Impairment allowance	**(42,175)**	(21,030)
Total	**2,216,029**	2,635,453

An ageing analysis of prepayments, other receivables and other assets as at the respective reporting dates, net of loss allowance, is as follows:

	2023 RMB'000	2022 RMB'000
Within 1 year	**1,999,224**	1,912,329
1 to 2 years	**111,036**	135,049
2 to 3 years	**57,666**	553,951
Over 3 years	**90,278**	55,154
	2,258,204	2,656,483
Less: Loss allowance for impairment of other receivables	**(42,175)**	(21,030)
	2,216,029	2,635,453

28. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

The changes in the impairment allowance for other receivables based on 12-month and the entire life expectancy expected credit losses are as follows:

	Stage 1 12-month ECLs RMB'000	Stage 2 Lifetime ECLs RMB'000	Stage 3 Lifetime ECLs RMB'000	Total RMB'000
At 1 January 2023	**21,030**	**—**	**—**	**21,030**
The balance of 1 January 2023 in this year				
— Stage Transition	**(420)**	**—**	**420**	**—**
Provision for impairment losses for this year	**25,505**	**—**	**—**	**25,505**
Impairment losses reversed for this year	**(3,940)**	**—**	**—**	**(3,940)**
Amounts written off as uncollectible for this year	**—**	**—**	**(420)**	**(420)**
At 31 December 2023	**42,175**	**—**	**—**	**42,175**

	Stage 1 12-month ECLs RMB'000	Stage 2 Lifetime ECLs RMB'000	Stage 3 Lifetime ECLs RMB'000	Total RMB'000
At 1 January 2022	20,691	—	—	20,691
The balance of 1 January 2022 in this year				
— Stage Transition	(2,848)	—	2,848	—
Provision for impairment losses for this year	3,819	—	—	3,819
Impairment losses reversed for this year	(632)	—	—	(632)
Amounts written off as uncollectible for this year	—	—	(2,848)	(2,848)
At 31 December 2022	21,030	—	—	21,030

Included in the Group's prepayments, other receivables and other assets are amounts due from the Group's associates of RMB22,561,000 (2022: RMB49,164,000), the Group's joint ventures of RMB572,000 (2022: RMB463,000) and other related companies of RMB12,629,000 (2022: RMB15,009,000), respectively. These balances were non-interest-bearing and collectible on demand.

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Listed equity investments, at fair value	**1,291,366**	1,264,344
Other unlisted equity investments, at fair value	**1,637,244**	1,911,199
Debt investments, at fair value	**—**	141,818
Total	**2,928,610**	3,317,361
Current portion	**1,888,496**	928,532
Non-current portion	**1,040,114**	2,388,829

The above equity investments at 31 December 2023 and 31 December 2022 were classified as financial assets at fair value through profit or loss as they were held for trading, or as the group has not elected to recognize the fair value gain or loss through other comprehensive income.

30. CASH AND BANK BALANCES

	2023 RMB'000	2022 RMB'000
Cash on hand	**3,234**	2,672
Cash at banks, unrestricted	**8,983,634**	10,815,270
Deposits in Fosun Finance*	**515,521**	352,125
Cash and cash equivalents as stated in the consolidated statement of cash flows	**9,502,389**	11,170,067
Pledged bank balances to secure bills payable	**255,683**	232,660
Term deposits with original maturity of more than three months in Fosun Finance*	**1,374,800**	632,500
Other term deposits with original maturity of more than three months	**2,560,719**	4,206,086
Cash and bank balances as stated in the consolidated statement of financial position	**13,693,591**	16,241,313

* Fosun Finance is a licensed financial institution registered with the China Banking Regulatory Commission. Fosun Finance is a subsidiary of Fosun High Tech. Details of the deposits are given in note 46(d) to the financial statements.

As at 31 December 2023, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB10,236,879,000 (2022: RMB10,383,376,000). The RMB is not freely convertible into other currencies. However, under Chinese Mainland's prevailing rules and regulations over foreign exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

30. CASH AND BANK BALANCES (Continued)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between seven days and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. Term deposits with original maturity of more than three months earn interest at fixed interest rates for varying periods of between three months and one year. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. Details of interest earned on deposits in Fosun Finance are set out in note 47(e) to the financial statements.

31. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 23 August 2021, the Company announced its board resolution to dispose the 25.0011% equity interests in Tianjin Pharmaceutical Group Co., Ltd. ("Tianjin Pharma") to a third party. The consideration of the disposal was RMB1,432,563,000. The transaction of disposal will be completed in three instalments, and 8.3337% of the equity interests in Tianjin Pharma will be disposed equally. By 31 December 2023, the Company has completed all 25.0011% equity transfer procedures and received a total of RMB1,432,563,000 in cash for the transfer of 25.0011% equity of Tianjin Pharma.

The carrying value of assets of a disposal group classified as held for sale are presented below:

	2023	2022
	RMB'000	RMB'000
Asset held for sale-Investments in associates	**—**	419,578

32. TRADE AND BILLS PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables	**5,507,366**	5,426,162
Bills payable	**652,253**	857,879
Total	**6,159,619**	6,284,041

Trade and bills payables are non-interest-bearing. Trade payable are normally settled on a two-month term, and bills payable are normally settled on 90 to 180-day terms.

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2023 RMB'000	2022 RMB'000
Within 1 year	**5,844,073**	6,125,688
1 to 2 years	**223,314**	119,022
2 to 3 years	**57,124**	19,691
Over 3 years	**35,108**	19,640
Total	**6,159,619**	6,284,041

Included in the Group's trade payables are amounts due to the Group's associates, joint ventures and other related companies of RMB70,949,000 (2022: RMB184,464,000), Nil (2022: Nil) and RMB79,097,000 (2022: RMB54,806,000), respectively. These balances due to associates, joint ventures and other related companies were trade in nature, non-interest-bearing and repayable on credit terms similar to those offered by the associates, joint ventures and other related companies to their major customers.

33. OTHER PAYABLES AND ACCRUALS

	Notes	2023 RMB'000	2022 RMB'000
Payables relating to purchases of items of property, plant and equipment		**487,903**	512,522
Deposits received		**350,963**	527,087
Payroll		**1,978,116**	1,640,222
Value-added tax		**177,814**	187,608
Other taxes		**108,522**	122,889
Accrued interest expenses		**82,085**	144,962
Dividends payable to non-controlling shareholders of subsidiaries		**17,317**	34,444
Other accrued expenses		**2,676,846**	3,118,546
Payables for acquisitions of non-controlling interests, and subsidiaries	(i)	**232,865**	182,318
Payables to third parties	(ii)	**455,202**	484,524
Subscription to restricted shares		**41,928**	60,561
Advances for equity disposal of associates and subsidiaries		**—**	496,446
Payables for purchases of fixed assets on installment		**8,689**	8,931
Loans from related parties	(iii)	**34,924**	14,111
Others	(iv)	**207,909**	201,410
		6,861,083	7,736,581
Less: Non-current portion of payables for acquisitions of non-controlling interests and subsidiaries *(note 38)*	(i)	**(112,589)**	(87,420)
Total		**6,748,494**	7,649,161

Notes:

(i) The balances as at 31 December 2023 mainly represent the cash considerations for the acquisitions of Yiyanyun, Xingyuanda Medical Technology, Xinshi Hospital, Anhui Jimin Hospital and for the assets purchase from PhotonMed International Limited of RMB4,500,000, RMB1,120,000, RMB80,920,000, RMB5,000,000 and RMB28,736,000 respectively. The non-current portion of payables for acquisitions of the non-controlling interests and subsidiaries as at 31 December 2023 mainly consists of the non-current portion of unpaid cash considerations of RMB6,500,000, RMB80,920,000 and RMB25,169,000 for the acquisitions of equity interests in Guangji Hospital and Xinshi Hospital and assets purchase from PhotonMed International Limited, respectively, which will be paid after 12 months.

(ii) Payables to third parties of RMB455,202,000 as at 31 December 2023 (2022: RMB484,524,000) bear no interest (2022: Nil) and are repayable on demand.

(iii) Included in the Group's loans from related parties are amounts due to the Group's other related companies of RMB34,924,000 (2022: RMB14,111,000). The annual interest rate is 5.80%. The loan period is from 5 December 2022 to 5 December 2023, extending to 4 December 2024.

(iv) Other payables are non-interest-bearing and repayable on demand.

Included in the Group's other payables are amounts due to the Group's associates, joint ventures and other related companies of RMB2,454,000 (2022: RMB25,985,000), RMB1,697,000 (2022: RMB1,696,000) and RMB64,887,000 (2022: RMB34,928,000), respectively. These balances were non-interest-bearing and repayable on demand.

34. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2023			31 December 2022		
	Effective Interest rate (%)	Maturity	RMB'000	Effective Interest rate (%)	Maturity	RMB'000
Current						
Bank loans — unsecured	**0.10–4.90**	**2024**	**14,657,291**	0.40–5.12	2023	11,865,460
Bank loans — secured *(note (a))*	**3.70–3.90**	**2024**	**36,530**	3.60–4.45	2023	28,247
Current portion of long term bank loans — unsecured	**0.30–4.83**	**2024**	**3,681,893**	0.30–4.83	2023	2,632,506
bank loans — secured *(note (a))*	**3.53–4.45**	**2024**	**193,196**	3.76–4.45	2023	144,315
Corporate bonds — unsecured *(note (b))*	**3.5**	**2024**	**499,908**	3.50–3.98	2023	2,345,832
Total-current			**19,068,818**			17,016,360
Non-current						
Bank loans — unsecured	**0.30–7.04**	**2025–2030**	**11,618,949**	0.30–6.01	2024–2030	9,948,556
Bank loans — secured *(note (a))*	**3.53–5.00**	**2025–2030**	**1,885,974**	3.55–4.50	2024–2030	1,651,881
Subtotal-non-current			**13,504,923**			11,600,437
Corporate bonds — unsecured *(note (b))*	**—**	**—**	**—**	3.50	2024	499,431
Total — non-current			**13,504,923**			12,099,868
Total			**32,573,741**			29,116,228

34. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	2023 RMB'000	2022 RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**18,568,910**	14,670,528
In the second year	**6,264,630**	2,869,710
In the third to fifth years, inclusive	**6,193,279**	6,463,773
Beyond five years	**1,047,014**	2,266,954
Subtotal	**32,073,833**	26,270,965
Other borrowings repayable:		
Within one year	**499,908**	2,345,832
In the second year	**—**	499,431
Subtotal	**499,908**	2,845,263
Total	**32,573,741**	29,116,228

34. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Foreign currency loans

	2023 RMB'000	2022 RMB'000
USD:		
Secured	—	—
Unsecured	**4,133,776**	4,955,662
	4,133,776	4,955,662
EUR:		
Secured	—	—
Unsecured	**2,623,122**	2,905,534
	2,623,122	2,905,534
SEK:		
Secured	—	13,984
Unsecured	**10,680**	—
	10,680	13,984

Notes:

(a) Certain of the Group's bank loans are secured by:

(i) mortgages over the Group's buildings, which had a net carrying value at the end of the reporting period of approximately RMB1,487,653,000 (2022: RMB243,687,000);

(ii) mortgages over the Group's prepaid land lease payments, which had a net carrying value at the end of the reporting period of approximately RMB614,613,000 (2022: RMB505,506,000);

(iii) mortgages over the Group's construction in progress, which had a net carrying value at the end of the reporting period of approximately RMB629,372,000 (2022: RMB1,036,485,000);

(iv) mortgages over the Group's patent, which had a net carrying value at the end of the reporting period of approximately RMB355,000;

(v) 58.67% equity of its subsidiary Suzhou Baidao Medical Technology Co., Ltd. (2022: 58.67%).

(b) On 9 March 2022, the Company issued medium-term notes with a maturity of four years in an aggregate amount of RMB500,000,000, which bear interest at 3.50% per annum. The interest is payable annually in arrears and the maturity date is 9 March 2026. The holders of the corporate bonds with a maturity of four years, have the right, at their option, to require the Company to repurchase for cash the corporate bonds in whole or in part at the interest payment date of the second interest-bearing year (namely 2024). As at 31 December 2023, the book value of the four-year corporate bonds is RMB499,908,000.

35. LEASE LIABILITIES

	31 December 2023			31 December 2022		
	Effective Interest rate (%)	Maturity	RMB'000	Effective Interest rate (%)	Maturity	RMB'000
Current						
Lease liability	weighted average 4.72	2024	329,525	weighted average 4.72	2023	184,406
Non-current						
Lease liability	weighted average 4.72	2024–2041	2,049,589	weighted average 4.72	2023–2038	744,992
Total			2,379,114			929,398

	2023 RMB'000	2022 RMB'000
Analysed into:		
Lease liabilities:		
Within one year	329,525	184,406
In the second to fifth years, inclusive	1,119,057	570,932
Beyond five years	930,532	174,060
Total	2,379,114	929,398

36. CONTRACT LIABILITIES

Details of contract liabilities as at 31 December 2023 are as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Warranty services	**105,722**	94,802
Advances from customers	**1,414,559**	1,804,374
Total contract liabilities	**1,520,281**	1,899,176
Current portion	**1,200,496**	1,544,763
Non-current portion	**319,785**	354,413

Contract liabilities include advances received to deliver products and warranty services. The decrease in contract liabilities in 2023 was mainly due to the decrease in advances received from customers at the end of the year.

Included in the Group's contract liabilities are amounts due to the Group's associates, joint ventures and other related companies of RMB9,949,000 (2022: RMB31,336,000), Nil (2022: Nil) and RMB5,135,000 (2022: RMB701,000), respectively. These balances were non-interest-bearing and repayable on demand.

37. DEFERRED INCOME

	Notes	2023 RMB'000	2022 RMB'000
Government grants	(i)	**639,399**	632,433

Notes:

(i) Government grants were received by the Group as financial subsidies for some research and development projects, industrial development funds and value-added tax refund. Government grants are recognised as income over the periods necessary to match the grants on a systematic basis to the costs that they are intended to compensate. There are no unfulfilled conditions or contingencies relating to these grants.

The movements in government grants during the year are as follows:

	2023 RMB'000	2022 RMB'000
At 1 January	**632,433**	512,806
Additions	**130,566**	211,867
Recognised as income during the year	**(123,600)**	(92,054)
Others	**—**	(186)
At 31 December	**639,399**	632,433

38. OTHER LONG-TERM LIABILITIES

	Notes	2023 RMB'000	2022 RMB'000
Staff placement fees	(i)	**23,186**	24,130
Payables for acquisitions of non-controlling interests and subsidiaries	(ii)	**112,589**	87,420
Share redemption option granted to non-controlling shareholders of subsidiaries	(iii)	**1,601,368**	1,550,983
Payables for purchases of fixed assets on installment		**23,505**	30,461
Long-term employee payable		**141,476**	42,068
Other financial liabilities		**878,407**	631,411
Others		**356,343**	195,808
		3,136,874	2,562,281

Notes:

(i) Staff placement fees represent liabilities incurred by certain subsidiaries of the Group before 2008 in respect of the retirement benefits of certain employees and retirees.

(ii) Payables for acquisitions of non-controlling interests and subsidiaries as at 31 December 2023 mainly represent the non-current portion of unpaid cash considerations of RMB6,500,000, RMB80,920,000 and RMB25,169,000 for the acquisitions of non-controlling interests in Guangji Hospital, Xinshi Hospital and assets purchase from PhotonMed International Limited, respectively, which will be paid after 12 months (note 33(i)).

(iii) The share redemption option granted to non-controlling shareholders of Antejin and Suzhou Baidao represented the liability of the Group to acquire the non-controlling interests owned by the non-controlling shareholders as at 31 December 2023.

39. SHARE CAPITAL

	2023		2022	
	Number of shares '000	**Nominal value RMB'000**	Number of shares '000	Nominal value RMB'000
Shares				
Restricted shares				
A Shares of RMB1 each	**2,743**	**2,743**	109,258	109,258
Unrestricted shares				
A Shares of RMB1 each	**2,117,715**	**2,117,715**	2,010,958	2,010,958
H Shares of RMB1 each	**551,941**	**551,941**	551,941	551,941
	2,672,399	**2,672,399**	2,672,157	2,672,157

39. SHARE CAPITAL (Continued)

A summary of movements in the company's share capital is as follows:

	Notes	2023 Number of shares '000	2023 Nominal value RMB'000	2022 Number of shares '000	2022 Nominal value RMB'000
At 1 January		**2,672,157**	**2,672,157**	2,562,899	2,562,899
Issue of A Shares	(i)	**—**	**—**	106,757	106,757
Share incentive scheme	(ii)	**372**	**372**	2,501	2,501
Shares repurchased	(ii)	**(130)**	**(130)**	—	—
At 31 December		**2,672,399**	**2,672,399**	2,672,157	2,672,157

Notes:

(i) On 27 July 2022, the Company completed an issue of 106,757,000 A shares. The net proceeds received from the issue were amounted to RMB4,456,199,000, after deduction of issue expenses of RMB27,581,000. Part of proceeds, amounting to RMB106,757,000, was credited as issued and fully paid share capital, and the remaining balance of RMB4,349,442,000 was credited to share premium.

On January 30, 2023, the restrictions on the sale of 106,756,666 A-shares of the aforementioned non-public offering were lifted.

(ii) The restricted A shares were issued pursuant to the share incentive scheme adopted by the Company. Please refer to note 45 to the financial statements for more details.

40. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity on pages 272 to 273 of the financial statements.

Statutory surplus reserve

According to the relevant PRC regulations and the articles of association of the Company in the PRC, the Company is required to transfer 10% of its profit after income tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of dividends to equity owners. The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital/issued share capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of its registered capital. This reserve is non-distributable other than in liquidation.

41. BUSINESS COMBINATIONS

The major acquisitions of subsidiaries accounted for as business combinations are set out as follows:

On 27 April 2023, Gland Pharma International PTE Ltd, a subsidiary of the Company, acquired 100.00% equity interests in Phixen SAS from an independent third party. The consideration for the acquisition was equivalent to RMB862,179,000. After the acquisition, the Group holds 100% equity interests in Phixen SAS. The Group determined that the acquisition date of this transaction was 27 April 2023, and Phixen SAS was included in the scope of consolidation from 27 April 2023.

On 28 June 2023, Alma Hong Kong 2023 Limited ("Alma HK"), a subsidiary of the Company, entered into an asset purchase agreement with PhotonMed International Limited ("PhotonMed HK") and its owner, pursuant to which Alma HK has agreed to purchase the business (comprising the target assets). After the completion of the acquisition on 28 June 2023, Alma HK shall issue 40% of its shares to PhotonMed HK so that Alma and PhotonMed HK will hold 60% and 40% of the total issued shares of Alma HK, respectively. The total consideration is an amount of up to RMB270,000,000, including contingent portion up to RMB37,500,000, which is subject to adjustment in relation to the target revenue and earnings. The Group determined that the acquisition date of this transaction was 28 June 2023.

On 14 September 2023, Guangzhou Fukang Health Management Co.,Ltd., a subsidiary of the Company, acquired 100.00% equity interests in Guangzhou Xinyitang Pharmacy Co.,Ltd ("Guangzhou Xinyitang") from an independent third party. The consideration for the acquisition was RMB500,000. After the acquisition, the Group holds 100% equity interests in Guangzhou Xinyitang. The Group determined that the acquisition date of this transaction was 14 September 2023, and Guangzhou Xinyitang was included in the scope of consolidation from 14 September 2023.

On 9 October 2023, the Company acquired 6.00% equity interests in Jianjia Medical Investment Management Co.,Ltd. ("Jianjia Medical") from an independent third party. The consideration for the acquisition was RMB120,000,000. After the acquisition, the Group holds 51% equity interests in Jianjia Medical. The Group determined that the acquisition date of this transaction was 9 October 2023, and Jianjia Medical was included in the scope of consolidation from 9 October 2023.

On 12 October 2023, Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd., a subsidiary of the Company, acquired 50.00% equity interests in Shanghai Yaokang Pharmaceutical Technology Co., Ltd. ("Shanghai Yaokang") from an independent third party. The consideration for the acquisition was RMB2,400,000. After the acquisition, the Group holds 100% equity interests in Shanghai Yaokang. The Group determined that the acquisition date of this transaction was 12 October 2023, and Shanghai Yaokang was included in the scope of consolidation from 12 October 2023.

* The English names of the companies registered in the PRC represent the best efforts made by the management of the Company in directly translating the Chinese names of these companies.

The above acquisitions were undertaken under the Group's strategy to further improve the Group's pharmaceutical manufacturing, medical devices and medical diagnosis and health care service.

The Group has elected to measure the non-controlling interests in all the subsidiaries acquired at the non-controlling interests' proportionate share of the acquired subsidiaries' identifiable net assets.

41. BUSINESS COMBINATIONS (Continued)

The provisional fair values of the identifiable assets and liabilities of all the subsidiaries acquired as at the dates of acquisition (Note: *) were as follows:

	Notes	**Fair value recognised on acquisition*** RMB'000
Property, plant and equipment	15	3,095,084
Right-of-use assets	16	1,401,441
Other intangible assets	18	557,448
Deferred tax assets	22	146,641
Trade and bills receivables-Non current		305
Other non-current assets		29,494
Inventories		442,840
Trade and bills receivables		556,385
Prepayments, other receivables and other assets		449,671
Assets held for sale		500
Cash and cash equivalents		308,580
Interest-bearing bank and other borrowings — current		(579,547)
Trade and bills payables		(592,718)
Other payables and accruals		(511,894)
Lease liabilities — current		(26,373)
Contract liabilities		(114,542)
Tax payable		(1,739)
Deferred tax liabilities	22	(191,596)
Deferred income		(824)
Interest-bearing bank and other borrowings — non-current		(1,243,744)
Provision		(2,992)
Lease liabilities — non current		(1,375,913)
Other long-term liabilities		(143,896)
Non-controlling interests		(958,865)
Total identifiable net assets at fair value		1,243,746
Goodwill		413,733
		1,657,479
Satisfied by:		
Cash consideration paid in 2023		1,217,579
Cash consideration payable		37,500
Fair value of equity investments held by the Group		402,400
Total		1,657,479

* As of the date of approval of these financial statements, the purchase price allocation of identifiable assets and liabilities of the acquired subsidiaries and goodwill recognition were completed at the date of acquisition, except for the evaluation of the medical equipment and trademark rights acquired from the acquisition of Jianjia Medical Investment Management Co.,Ltd. and the fair value of the equity previously held at the date of acquisition which had not been completed. Accordingly, the fair value of the identifiable assets and liabilities of the acquisition of Jianjia Medical Investment Management Co.,Ltd. and the amount of goodwill at the acquisition date could only be determined provisionally, and adjustments to the recognised provisional amount before 9 October 2024 (12 months after the acquisition date) are deemed to have been recognised and measured at the acquisition date. Except for the above acquisition, the purchase price allocation of identifiable assets and liabilities of the remaining acquired subsidiaries in 2023 and goodwill recognition were completed at the date of acquisition.

41. BUSINESS COMBINATIONS (Continued)

The fair values of trade and bills receivables and other receivables as at the dates of acquisitions amounted to RMB556,385,000 and RMB449,671,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB588,988,000 and RMB449,671,000, respectively, of which trade and bills receivables of RMB32,603,000 and other receivables of RMBnil are expected to be uncollectible.

An analysis of the cash flows in respect of the acquisitions of subsidiaries is as follows:

	RMB'000
Cash consideration paid	1,217,579
Cash and cash equivalents acquired	308,580
Prepayments for acquisition of a subsidiary	15,000
Net outflow of cash and cash equivalents included in cash flows from investing activities	923,999

Since the acquisitions, the acquired subsidiaries contributed the addition of RMB1,560,353,000 to the Group's revenue and the deduction of RMB145,692,000 to the Group's profit after tax for the year ended 31 December 2023.

Had the combinations taken place at the beginning of the year, the revenue and the profit after tax of the Group for the year would have been RMB42,849,950,000 and RMB2,778,566,000, respectively.

42. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2023, the Group entered into an equity interest transfer agreement with an independent third party, to dispose of 100% of equity interest in Xuzhou Wanbang Cloud Pharmacy Chain Co., Ltd.* (徐州萬邦雲藥房連鎖有限公司) for a consideration of RMB1,219,000. The disposal date was 27 September 2023. This subsidiary was not included in the consolidated financial statements of the Group hereafter.

* The English names of the companies registered in the PRC represent the best efforts made by the management of the Company in directly translating the Chinese names of these companies.

The financial information of above subsidiaries at the date of disposal is as follows:

	Notes	**2023 RMB'000**	2022 RMB'000
Net assets disposed of:			
Property, plant and equipment	15	**163**	78,891
Right-of-use assets	16	**—**	14,031
Other intangible assets	18	**—**	58,558
Deferred tax assets		**—**	569
Inventory		**1,542**	69,318
Trade and bills receivables		**1,162**	66,981
Prepayments, other receivables and other assets		**2,065**	19,715
Cash and cash equivalents		**—**	39,412
Interest-bearing bank and other borrowings-current		**—**	(108,450)
Trade and bills payables		**(552)**	(21,901)
Other payables and accruals		**(2,115)**	(109,933)
Contract liabilities		**—**	(10,052)
Tax payable		**—**	(2,157)
Deferred tax liabilities		**—**	(7,651)
		2,265	87,331
Non-controlling interests		**—**	(14,701)
Goodwill		**—**	59,244
Gain on disposal of a subsidiary	7	**(1,046)**	351,840
Total consideration		**1,219**	483,714
Satisfied by:			
Cash		**1,219**	429,406

42. DISPOSAL OF SUBSIDIARIES (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2023 RMB'000	2022 RMB'000
Cash consideration	**1,219**	429,406
Cash and bank balances disposed of	**—**	(39,412)
Cash considerations to be received	**(919)**	—
Receipt of unpaid cash consideration as at 31 December 2022	**—**	319,220
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**300**	709,214

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB302,514,000 (2022: RMB237,284,000) and RMB308,537,000 (2022: RMB224,653,000),respectively, in respect of lease arrangements for buildings, plant and equipment and motor vehicles.

(b) Changes in liabilities arising from financing activities

2023

	Bank and other loans RMB'000	Lease liabilities RMB'000	Loans from related parties included in other payables and accruals RMB'000	Interest payable RMB'000
At 1 January 2023	**29,116,228**	**929,398**	**14,111**	**144,962**
Changes from financing cash flows	**1,365,641**	**(251,707)**	**20,813**	**—**
New leases	**—**	**308,537**	**—**	**—**
Covid-19-related rent recessions from lessors	**—**	**(277)**	**—**	**—**
Lease termination	**—**	**(72,764)**	**—**	**—**
Interest paid	**—**	**—**	**—**	**(1,331,338)**
Foreign exchange movement	**268,935**	**12,721**	**—**	**(54,928)**
Interest expense	**(354)**	**50,920**	**—**	**1,274,265**
Increase arising from acquisition of subsidiaries	**1,823,291**	**1,402,286**	**—**	**—**
Decrease arising from disposal of subsidiaries	**—**	**—**	**—**	**—**
Interests capitalised under construction in progress	**—**	**—**	**—**	**49,124**
At 31 December 2023	**32,573,741**	**2,379,114**	**34,924**	**82,085**

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Changes in liabilities arising from financing activities (Continued)

2022

	Bank and other loans RMB'000	Lease liabilities RMB'000	Loans from related parties included in other payables and accruals RMB'000	Interest payable RMB'000
At 1 January 2022	24,509,312	789,856	24,342	154,892
Changes from financing cash flows	3,747,388	(190,802)	(10,231)	—
New leases	—	224,653	—	—
Covid-19-related rent recessions from lessors	—	(11,345)	—	—
Lease termination	—	(16,903)	—	—
Interest paid	—	—	—	(937,336)
Foreign exchange movement	747,737	8,253	—	(38,669)
Interest expense	(963)	44,459	—	920,311
Increase arising from acquisition of subsidiaries	221,204	81,227	—	—
Decrease arising from disposal of subsidiaries	(108,450)	—	—	—
Interests capitalised under construction in progress	—	—	—	45,764
At 31 December 2022	29,116,228	929,398	14,111	144,962

(c) Total cash outflow for leases

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

	2023 RMB'000	2022 RMB'000
Within operating activities	**113,749**	84,658
Within financing activities	**251,707**	190,802
Total	**365,456**	275,460

44. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2023	2022
Percentage of equity interest held by non-controlling interests:		
Gland Pharma	**42.14%**	42.13%

	2023 RMB'000	2022 RMB'000
Profit for the year allocated to non-controlling interests:		
Gland Pharma	**166,459**	290,359

	2023 RMB'000	2022 RMB'000
Accumulated balances of non-controlling interests at the reporting date:		
Gland Pharma	**3,592,833**	3,364,910

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	2023 RMB'000	2022 RMB'000
Revenue	**4,206,796**	3,371,454
Total expenses	**(615,717)**	(268,222)
Profit for the year	**395,015**	689,033
Total comprehensive income for the year	**540,871**	573,495
Current assets	**5,349,293**	5,661,057
Non-current assets	**5,325,539**	3,612,872
Current liabilities	**(1,291,199)**	(767,755)
Non- current liabilities	**(857,197)**	(521,101)
Net cash flows from operating activities	**511,472**	781,437
Net cash flows used in investing activities	**(199,926)**	(946,382)
Net cash flows (used in)/from financing activities	**(664,647)**	11,563
Net decrease in cash and cash equivalents	**(353,101)**	(153,382)

45. SHARE OPTION SCHEME

(a) Restricted A Share Incentive Scheme

The Company operated a share incentive scheme (the "Restricted A Share Incentive Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholder in the Company's subsidiaries. The Scheme became effective on 1 December 2022 and, will remain no longer than 5 years from that date.

The Restricted A Share Incentive Scheme was approved by the shareholders of the Company (the "Shareholders") at the 2022 second extraordinary general meeting of the Company, the 2022 second class meeting of A shareholders and the 2022 second class meeting of H shareholders convened on 29 November 2022. On 1 December 2022, relevant resolutions were considered and passed at the Company's 17th meeting of the 9th session of the board of directors and the 5th meeting of the 9th session of the Supervisory Committee, pursuant to which the date of grant for the A Share First Grant was set on 1 December 2022.

On 1 December 2022 (the "Date of Grant"), pursuant to the A Share First Grant of the Restricted A Share Incentive Scheme, 2,706,400 A shares of the Company were granted to 138 eligible participants of the Restricted A Share Incentive Scheme (the "Share Incentive Participants") at a grant price of RMB21.29 per share. The Share Incentive Participants include executive directors, the members of senior management of the Company, other mid-level management personnel, core technicians and other key personnel identified by the Board of Directors who have a direct impact on the overall performance and sustainable development of the Group.

126 out of 138 of the Share Incentive Participants have accepted and subscribed with their own funds under the Restricted A Share Incentive Scheme and a total of 2,501,400 Restricted A Shares (the "Restricted Shares") have been issued by the Company to the relevant Share Incentive Participants.

On 1 September 2023 (the "Date of Grant"), pursuant to the A Share Reserved Grant of the Restricted A Share Incentive Scheme, 417,600 A shares of the Company were granted to 94 eligible participants of the Restricted A Share Incentive Scheme (the "Share Incentive Participants") at a grant price of RMB21.29 per share. The Share Incentive Participants include the members of senior management of the Company, other mid-level management personnel, core technicians and other key personnel identified by the Board of Directors who have a direct impact on the overall performance and sustainable development of the Group.

80 out of 94 of the Share Incentive Participants have accepted and subscribed with their own funds under the Restricted A Share Incentive Scheme and a total of 371,600 Restricted A Shares (the "Restricted Shares") have been issued by the Company to the relevant Share Incentive Participants.

45. SHARE OPTION SCHEME (Continued)

(a) Restricted A Share Incentive Scheme (Continued)

The various equity instruments granted are as follows:

	Granted during the year		Exercised during the year		Unlocked during the year*		Forfeited during the year	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Share Incentive Participants	371,600	7,911,000	—	—	774,114	16,481,000	129,500	2,757,000

* The lock-up period applicable to the Shares expired in December 2023 and the shares were listed for circulation in January 2024.

The equity instruments outstanding at the end of the year are as follows:

	Restricted A share	
	Exercise prices	Remaining term of contract
Share Incentive Participants	RMB21.29	1–2 years

Equity settled share payments are as follows:

	2023
Method for determining the fair value of Incentive Scheme Restricted A Share granted	The market stock price of the company on grant day less the grant price
Key parameters of fair value of Incentive Scheme Restricted A Share granted	Stock price on grant day
The basis for determining the number of feasible equity instruments	The best estimate of the year-end estimated feasibility
Reasons for significant differences between this year's estimate and last year's estimate	None
The cumulative amount of equity settled share payments included in other reserve	11,565,000

Total amount of RMB9,765,000 share payment expenses was incurred from the above Restricted A Share Incentive Scheme for the year ended 31 December 2023 (2022: RMB1,800,000).

45. SHARE OPTION SCHEME (Continued)

(b) Subsidiaries' Share Incentive Schemes

As at 14 April 2018, approved by the second extraordinary general meeting of Henlix, a subsidiary of the Company, passed a share incentive scheme and granted 22,750,000 restricted shares to eligible participants at a price of RMB9.21 per share. As at 10 December 2020, Henlix granted 2,780,700 restricted shares to eligible participants at a price of RMB9.21 per share. As at 7 April 2021, at 13 July 2021, and at 30 November 2021, Henlix granted 531,050 restricted shares to eligible participants at a price of RMB9.21 per share. The 531,050 shares of common stock granted in April, July and November 2021 are from restricted shares that were released from embargoes upon departure of share-incentive plan participants in 2018 and 2020. Henlix recognised an amount of RMB2,627,000 as related expenses for the year ended 31 December 2023 (2022: RMB13,221,000).

As at 27 June 2019, Gland Pharma, a subsidiary of the Company, passed a share incentive scheme and granted 154,650 restricted shares to eligible participants at a price of equivalent RMB540 per share. On 17 March 2020, Gland Pharma subdivided its shares into ten shares for each issued share. After the completion of subdivision, adjustment was made in accordance with the terms of the Gland Pharma Share Option Incentive Scheme for the exercise of the outstanding options and the number of Gland Pharma shares that options might be placed and issued upon exercise of all outstanding options. Gland Pharma recognised an amount of RMBnil as related expenses for the year ended 31 December 2023 (2022: RMB972,000).

As at 2 December 2021, Sisram Medical, a subsidiary of the Company, approved by the extraordinary general meeting of Sisram Medical, granted 3,716,060 restricted shares (equivalent to a total of 3,716,060 Sisram shares) to eligible participants. 80,000 shares, 1,137,009 shares and 1,050,483 shares will be unlocked in 2021, 2022 and 2023 respectively. Sisram Medical recognised an amount of RMB3,469,000 as related expenses for the year ended 31 December 2023 (2022: RMB21,257,000).

Fosun Health approved the incentive plan in 2022 and granted 43,590,000 restricted shares (at the grant price of RMB1/share) and 146,919,000 stock options (at the exercise price of RMB1/share) to eligible participants for the first time. Fosun Health approved the incentive plan in 2023 and granted 2,544,880 restricted shares (at the grant price of RMB1/share) and 64,192,020 stock options (at the exercise price of RMB1/share) to eligible participants. In 2023, 1,500,000 restricted shares of one incentive object that have been received but have not yet vested were repurchased. Fosun Health recognised an amount of RMB19,223,000 as related expenses for the year ended 31 December 2023 (2022: RMB17,233,000).

As at 1 January 2023 and 31 August 2023, Shanghai Jingshan Biotechnology Co.,Ltd, a subsidiary of the Company, granted 565,000 and 426,612 share options to the incentive subjects respectively at the exercise price of RMB1 per share. Shanghai Jingshan recognised an amount of RMB814,000 as related expenses for the year ended 31 December 2023 (2022: nil).

46. COMMITMENTS

The Group had the following capital commitments as at 31 December 2023:

	2023 RMB'000	2022 RMB'000
Prepared land lease payments, plant and machinery	**2,805,800**	4,061,858
Investments	**1,476,998**	2,407,985
Total	**4,282,798**	6,469,843

47. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere, the Group had the following transactions with related parties during the year:

(a) Sales of products and rendering of services

	2023 RMB'000	2022 RMB'000
Sinopharm Group Co., Ltd. and its subsidiaries *(notes 4 & 7 & 9)*	**6,430,014**	5,718,433
C.Q. Pharmaceutical Holding Co.,Ltd. and its subsidiaries *(notes 3 & 7 & 11 & 20)*	**1,022,760**	856,137
Fosun International Limited and its subsidiaries *(notes 6 & 7 & 11 & 12)*	**23,332**	11,483
Suzhou Fund *(notes 1 & 7 & 11)*	**20,728**	10,710
Shanghai Fosun Public Welfare Foundation *(notes 3 & 7)*	**11,455**	49,841
Fosun United Health Insurance Company Ltd *(notes 3 & 7)*	**8,188**	26
Tianjin Fund *(notes 1 & 7 & 11)*	**6,763**	4,928
Fosun Kite Biological Technology Co., Ltd *(notes 2 & 7)*	**4,959**	6,755
Shanghai Lingjian Information Technology Co., Ltd *(notes 1 & 7)*	**4,129**	7,310
Huaihai Hospital Management Co., Ltd *(notes 1 & 7)*	**2,901**	—
Beijing Jinxiang Fosun Pharmaceutical Joint Stock Co., Ltd. *(notes 1 & 7)*	**2,715**	15,214
Jingfukang Pharmaceutical Group Co., Ltd *(notes 3 & 7 & 21)*	**2,390**	4,425
Shanghai Yaokang Pharmaceutical Technology Co., Ltd. *(notes 2 & 7 & 18)*	**1,306**	123
Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd. *(notes 1 & 7)*	**1,295**	2,894
Tongde Equity Investment and Management (Shanghai) Co., Ltd. *(notes 5 & 7)*	**60**	122
Pramerica Fosun Life Insurance Co., Ltd. *(notes 3 & 7)*	**36**	66
SINNOWA Medical Science & Technology Co., Ltd. *(notes 1 & 7)*	**20**	—
New Frontier Health Corporation and its subsidiaries *(notes 1 &7)*	**—**	286
Shanghai Fosun Bund Property Co., Ltd. *(notes 6 & 7 & 19)*	**—**	5
Shanghai Xingmai Information Technology Co., Ltd *(notes 3 & 7 & 11 & 22)*	**—**	10
	7,543,051	6,688,768

47. RELATED PARTY TRANSACTIONS (Continued)

(b) Purchases of products and services

	2023 RMB'000	2022 RMB'000
Sinopharm Group Co., Ltd. and its subsidiaries *(notes 4 & 7 & 9)*	**362,213**	358,804
C.Q. Pharmaceutical Holding Co.,Ltd. and its subsidiaries *(notes 3 & 7 & 11& 20)*	**183,361**	125,358
Fosun International Limited and its subsidiaries *(notes 6 & 7 & 11 & 13)*	**49,276**	83,751
Tongde Equity Investment and Management (Shanghai) Co., Ltd. *(notes 5 & 7)*	**9,900**	10,398
Fosun United Health Insurance Company Ltd *(notes 3 & 7)*	**9,575**	22,064
Saladax Biomedical, Inc. *(notes 1 & 7)*	**6,638**	3,276
Fosun Kite Biological Technology Co., Ltd *(notes 2 & 7)*	**3,332**	416
Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd. *(notes 1 & 7)*	**1,753**	497
Anhui Sunhere Pharmaceuticals Excipients Co., Ltd. *(notes 1 & 7)*	**1,107**	3,846
SINNOWA Medical Science & Technology Co., Ltd. *(notes 1 & 7)*	**563**	581
Huaihai Hospital Management Co., Ltd *(notes 1 & 7)*	**156**	298
Shanghai Lingjian Information Technology Co., Ltd *(notes 1 & 7)*	**33**	36
Beijing Jinxiang Fosun Pharmaceutical Joint Stock Co., Ltd. *(notes 1 & 7)*	**30**	—
Fosun Nanfeng (Shenzhen) Medical Technology Co., Ltd. *(notes 2 & 7 & 24)*	**—**	8,892
	627,937	618,217

(c) Leasing and property management services

As lessor

	2023 RMB'000	2022 RMB'000
Suzhou Fund *(notes 1 & 8 & 11)*	**14,497**	—
Fosun Kite Biological Technology Co., Ltd *(notes 2 & 8)*	**8,441**	7,756
Fosun International Limited and its subsidiaries *(notes 6 & 8 & 11 & 14)*	**981**	873
Tongde Equity Investment and Management (Shanghai) Co., Ltd. *(notes 5 & 8)*	**970**	864
Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd. *(notes 1 & 8)*	**256**	228
New Frontier Health Corporation and its subsidiaries *(notes 1 & 8)*	**—**	13
	25,145	9,734

47. RELATED PARTY TRANSACTIONS (Continued)

(c) Leasing and property management services (Continued)

As lessee

	2023 RMB'000	2022 RMB'000
Fosun International Limited and its subsidiaries *(notes 6 & 8 & 11 & 15)*	**26,058**	28,752
Shanghai Fosun Bund Property Co., Ltd. *(notes 6 & 8 & 19)*	**—**	4,215
	26,058	32,967

Management services

	2023 RMB'000	2022 RMB'000
Subsidiaries of Fosun International Limited *(notes 6 & 8 & 11 & 16)*	**25,790**	23,322

(d) Loans from/to related parties

Maximum daily outstanding balance of deposits in Fosun Finance

The Company entered into a financial service agreement with Fosun Finance, pursuant to which Fosun Finance shall provide financial services to the Company and its subsidiaries, including deposit service, credit service, settlement service and other financial services as approved by the China Banking Regulatory Commission for the period from 1 January 2023 to 31 December 2025. The maximum daily outstanding balance of deposits placed by the Group with Fosun Finance is RMB2,000,000,000. The maximum daily outstanding balance of the loans granted by Fosun Finance to the Group is RMB2,000,000,000.

Deposits in Fosun Finance	2023 RMB'000	2022 RMB'000
Fosun Finance *(notes 6 & 10 & 11)*	**1,890,321**	984,625

Loans from Fosun Finance	2023 RMB'000	2022 RMB'000
Fosun Finance *(notes 6 & 10 & 11)*	**140,847**	128,785

47. RELATED PARTY TRANSACTIONS (Continued)

(d) Loans from/to related parties (Continued)

Others from/to Fosun Finance	2023 RMB'000	2022 RMB'000
Other receivables		
Fosun Finance *(notes 6 & 10 & 11)*	**19,248**	3,565
Accrued interest expenses		
Fosun Finance *(notes 6 & 10 & 11)*	**181**	153

Loans to Fosun Kite Biological Technology Co., Ltd.

Shanghai Fosun Pharmaceutical Development Co., Ltd. provided a loan of RMB196,743,000 to Fosun Kite Biotechnology Co., Ltd. The interest rate is 4.73%. As at 31 December 2023, the loan interest receivable is RMB284,000. (31 December 2022: RMB175,000).

	2023 RMB'000	2022 RMB'000
Fosun Kite Biological Technology Co., Ltd. *(note 2)*	**197,027**	121,314

Loans from Shanghai Fosun High Tech (Group) Co., Ltd.

Shanghai Fosun High Tech (Group) Co., Ltd. provided a short-term loan of RMB34,924,000 to Shanghai Fuyun Health Technology Co., Ltd. The annual interest rate is 5.80%. The total principal amount of the loan is RMB33,276,000, of which RMB14,050,000 is for the period from 5 December 2022 to 5 December 2023, with an extension to 4 December 2024.

	2023 RMB'000	2022 RMB'000
Shanghai Fosun High Tech (Group) Co., Ltd. *(note 6)*	**34,924**	14,111

47. RELATED PARTY TRANSACTIONS (Continued)

(e) Interest income from/interest expense to related parties

Interest income	2023 RMB'000	2022 RMB'000
Fosun Finance *(notes 6 & 10 & 11)*	**15,459**	9,716
Fosun Kite Biological Technology Co., Ltd. *(note 2)*	**7,614**	7,961
Xingmai Technology *(notes 1 & 11 & 22)*	**—**	535
StarKids Children's Hospital Shanghai *(note 1 & 23)*	**—**	261
Nature's Sunshine (Far East) Limited *(note 1)*	**—**	15
	23,073	18,488

Interest expense	2023 RMB'000	2022 RMB'000
Fosun Finance *(notes 6 & 10 & 11)*	**6,462**	5,399
Shanghai Fosun High Tech (Group) Co., Ltd *(note 6)*	**1,482**	607
Shanghai Youle Information Technology Co., Ltd. *(note 3)*	**—**	161
	7,944	6,167

During the year, the interest rate for deposits, loans, and discount will be calculated according to the agreement terms, reference benchmark interest rates, and market interest rate levels. The interest rate of demand deposits is 0.35% (December 31, 2022: 0.35%), the interest rate of seven-day call deposits is 1.485%–1.755% (December 31, 2022: 1.485%–1.89%), the interest rate of agreed deposits is 1.15%–1.35% (December 31, 2022: 1.15%), and the interest rate of time deposits is 1.55%–2.1% (December 31, 2022: 1.55%–1.755%). There were no discounting transactions in 2023. During the year, Fosun Finance provided short-term loans of RMB138,688,000 to the company at an interest rate of 3.80%–4.50%, and Fosun Finance provide long-term loans of RMB2,160,000 to the company at an interest rate of 4.5%.

47. RELATED PARTY TRANSACTIONS (Continued)

(f) Commitments with related parties

As lessor

As at 31 December 2023, the Group had total future minimum lease receivables under non-cancellable operating leases with its related parties falling due as follows:

	2023 RMB'000	2022 RMB'000
Suzhou Fund *(note 1 & 11)*	**19,114**	—
Fosun Kite Biological Technology Co., Ltd. *(note 2)*	**—**	7,239
	19,114	7,239

As lessee

As at 31 December 2023, the Group had total future minimum lease payments (not included in the measurement of lease liabilities) under non-cancellable operating leases and a property management service agreement with related parties in respect of land and buildings which fall due as follows:

	2023 RMB'000	2022 RMB'000
Subsidiaries of Fosun International *(note 6)*	**—**	8,298

Notes:

(1) They are associates of the Group.

(2) They are joint ventures of the Group.

(3) They are other related companies of the Group.

(4) They are the subsidiaries of the Group's associates.

(5) They are the subsidiaries of the Group's joint ventures.

(6) They are the subsidiaries of Fosun International Limited, the holding company of the Company.

(7) The sales and purchases were undertaken on commercial terms similar to those offered to/by unrelated customers/suppliers in the ordinary course of business of the relevant companies.

(8) The fees for the leasing and property management services received from or paid to these related companies were determined based on prices available to third party customers of these related companies.

(9) Sinopharm Group Co., Ltd. is a major subsidiary of Sinopharm Investment, an associate of the Group.

(10) Fosun Finance is a subsidiary of Fosun High Tech, the holding company of the Company.

(11) The related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Group confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of these transactions.

47. RELATED PARTY TRANSACTIONS (Continued)

(f) Commitments with related parties (Continued)

As lessor (Continued)

Notes: (Continued)

(12) During the year of 2023, the Group offered Fosun International Limited and its subsidiaries with products and other services at market prices. Fosun International Limited and its subsidiaries include Shanghai Fosun High Technology (Group) Co., Ltd., Hainan Fosun International Business Travel Co., Ltd., Hainan Fosun Trading Co., Ltd., Shanghai Golte Property Management Co., Ltd., Beijing Golte Property Management Co., Ltd., Shanghai Yunji Information Technology Co., Ltd., Shanghai Xingchong Business Consulting Co., Ltd., Shanghai Yilian Enterprise Management Co., Ltd., Shanghai Fosun Venture Capital Management Co., Ltd., Zhejiang Fuyi Cosmetics Co., Ltd., Shanghai Fosun Industry and Technology Development Co., Ltd., Shanghai Fosun Tourism Management Co., Ltd., Kuyi International Travel Agency (Shanghai) Co., Ltd, Shanghai Fosun Industrial Investment Co., Ltd., Shanghai Fosun Venture Capital Management Co., Ltd., Shanghai Meituo Culture Development Co., Ltd., Shanghai Xingpian Management Consulting Co., Ltd., Shanghai Fosun Huanyu International Trade Co., Ltd., Shanghai Zhiqia Information Technology Service Co., Ltd., Xintai cloud chain (Wuxi) information Technology Development Co., Ltd., Xintai Yiliankang (Shanghai) Information Technology Development Co., Ltd., Shanghai Zhuqun Information Technology Co., Ltd., Shanghai Star service Enterprise Management Consulting Co., Ltd., Hainan Fosun International Logistics Co., Ltd., Shanghai Fosun Xinghui Business Consulting Co., Ltd., Shanghai Xingyi Human Resources Management Co., Ltd., Xintai cloud chain (Hangzhou) information Technology Development Co., Ltd., Xintai cloud chain (Shanghai) information Technology Development Co., Ltd., Xingheng Insurance Agency Co., Ltd., Shanghai Zilamai Trading Co., Ltd., Hainan Fosun e-commerce Co., Ltd and Great China Finance Leasing Co., Ltd.

(13) During the year of 2023, the Group received services and purchased products from Fosun International Limited and the subsidiaries of Fosun International Limited at market prices. The subsidiaries of Fosun International Limited include Hainan Fosun Trading Co., Ltd., Hainan Fosun International Business Travel Co., Ltd., Shanghai Yunji Information Technology Co., Ltd., Kuyi International Travel Agency (Shanghai) Co., Ltd, Shanghai Zhuqun Information Technology Co., Ltd., Zhejiang Fuyi Cosmetics Co., Ltd., Shanghai Fosun Huanyu International Trade Co., Ltd., Shanghai Xingyi Human Resources Management Co., Ltd., Shanghai Zhiqia Information Technology Service Co., Ltd., Shanghai Yilian Enterprise Management Co., Ltd., Shanghai Star service Enterprise Management Consulting Co., Ltd., Fosun Life Science and Technology (Jiangsu) Co., Ltd., Shanghai Zilamai Trading Co., Ltd., Beijing Fuyun Xingtong Technology Co., Ltd., Shanghai Fosun Industrial Investment Co., Ltd and Hainan Fosun International Logistics Co., Ltd.

(14) During the year of 2023, the Group leased out the office buildings to Fosun International Limited and its subsidiaries. Fosun International Limited and its subsidiaries include Shanghai Fosun High Tech (Group) Co., Ltd.

(15) During the year of 2023, the Group leased from the office buildings to Fosun International Limited and its subsidiaries. Fosun International Limited and its subsidiaries include Shanghai New Shihua Investment Management Co., Ltd., Shanghai Fosun High Tech (Group) Co., Ltd. and Shanghai Fosun Bund Property Co., Ltd.

(16) During this period, the Group received management services from subsidiaries of Fosun International Limited. The subsidiaries of Fosun International Limited include Shanghai Golte Property Management Co., Ltd and Beijing Golte Property Management Co., Ltd.

(17) Fosun International Limited is the ultimate holding company of the Group.

(18) Shanghai Yaokang Pharmaceutical Technology Co., Ltd. was a joint venture of the Group before October 2023 and was included in the scope of consolidation from October 2023.

(19) Shanghai Fosun Bund Property Co., Ltd. has been under the same ultimate control of the Group since March 2022 and was other related companies of the Group before March 2022.

(20) C.Q. Pharmaceutical Holding Co., Ltd. was an associate of the Group before December 2022 and was included in other related companies of the Group from December 2022.

(21) Jingfukang Pharmaceutical Group Co., Ltd. was an associate of the Group before November 2022 and was included in other related companies of the Group from November 2022.

(22) Xingmai Technology was an associate of the Group before August 2022 and was included in the scope of consolidation from August 2022.

(23) StarKids Children's Hospital Shanghai was an associate of the Group before October 2022 and was included in the scope of consolidation from October 2022.

(24) Fosun Nanfeng (Shenzhen) Medical Technology Co., Ltd. was a joint venture of the Group before August 2022 and was included in the scope of consolidation from August 2022.

47. RELATED PARTY TRANSACTIONS (Continued)

(g) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 24, 26, 28, 32, 33 and 36 to the financial statements.

For the year ended 31 December 2023, Chancheng Hospital increased prepayment of RMB60,346,000 to Foshan Chanxi for customized construction of women and children's medical centers and nursing homes. The Group increased prepayment of RMB248,883,000 to Fosun United Health Insurance Company Ltd. for capital increase.

(h) Compensation of key management personnel of the Group

	2023	2022
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**43,254**	34,102
Performance-related bonuses	**55,700**	69,178
Pension scheme contributions	**1,421**	1,304
	100,375	104,584

Further details of directors', supervisors' and the chief executive's emoluments are included in note 10 to the financial statements.

(i) Donations

	2023	2022
	RMB'000	RMB'000
Shanghai Fosun Foundation	**37,828**	18,964
GX Foundation Company Limited	**5,000**	—
	42,828	18,964

For the year ended 31 December 2023, the Group donated RMB37,828,000 (2022: RMB18,964,000) to social welfare projects through Shanghai Fosun Foundation and RMB5,000,000 (2022: Nil) to social welfare projects through GX Foundation Company Limited.

48. CONTINGENT LIABILITIES

As at 31 December 2023 and 2022, the Group did not have any contingent liabilities.

49. PLEDGE OF ASSETS

Details of the Group's interest-bearing bank and other borrowings, which are secured by the assets of the Group, are included in note 34 to the financial statements.

50. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2023

Financial assets	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Financial assets at amortised cost	Total
	Mandatorily designated as such RMB'000	Debt investments RMB'000	Equity investments RMB'000	RMB'000	RMB'000
Equity investments designated at fair value through other comprehensive income	—	—	52,774	—	52,774
Financial assets at fair value through profit or loss	2,928,610	—	—	—	2,928,610
Debt investments at fair value through other comprehensive income	—	642,569	—	—	642,569
Trade and bills receivables	—	—	—	7,668,229	7,668,229
Financial assets included in prepayments, other receivables and other assets	—	—	—	665,145	665,145
Trade receivables — non-current	—	—	—	85,323	85,323
Other non-current assets	—	—	—	196,743	196,743
Cash and bank balances	—	—	—	13,693,591	13,693,591
Total	2,928,610	642,569	52,774	22,309,031	25,932,984

Financial liabilities	Financial liabilities at fair value through profit or loss		
	Designated as such up on initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	—	6,159,619	6,159,619
Financial liabilities included in other payables and accruals	—	4,327,869	4,327,869
Interest-bearing bank and other borrowings	—	32,573,741	32,573,741
Lease liabilities	—	2,379,114	2,379,114
Financial liabilities included in other long-term liabilities	2,479,775	484,578	2,964,353
Total	2,479,775	45,924,921	48,404,696

50. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

2022

Financial assets	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Financial assets at amortised cost	Total
	Mandatorily designated as such RMB'000	Debt investments RMB'000	Equity investments RMB'000	RMB'000	RMB'000
Equity investments designated at fair value through other comprehensive income	—	—	15,451	—	15,451
Financial assets at fair value through profit or loss	3,317,361	—	—	—	3,317,361
Debt investments at fair value through other comprehensive income	—	558,927	—	—	558,927
Trade and bills receivables	—	—	—	7,612,942	7,612,942
Financial assets included in prepayments, other receivables and other assets	—	—	—	615,128	615,128
Trade receivables — non-current	—	—	—	91,663	91,663
Other non-current assets	—	—	—	365,879	365,879
Cash and bank balances	—	—	—	16,241,313	16,241,313
Total	3,317,361	558,927	15,451	24,926,925	28,818,664

Financial liabilities	Financial liabilities at fair value through profit or loss		
	Designated as such up on initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	—	6,284,041	6,284,041
Financial liabilities included in other payables and accruals	—	5,521,270	5,521,270
Interest-bearing bank and other borrowings	—	29,116,228	29,116,228
Lease liabilities	—	929,398	929,398
Financial liabilities included in other long-term liabilities	2,182,394*	313,690	2,496,084
Total	2,182,394	42,164,627	44,347,021

* The amounts include the share redemption options granted to non-controlling shareholders of subsidiaries amounting to RMB1,601,368,000 (2022: RMB1,550,983,000), with non-current portion of RMB1,601,368,000 (2022: RMB1,550,983,000), of which fair value change is recognised in reserves due to the nature of equity transaction with non-controlling shareholders of the subsidiaries of the Group.

50. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

As at 31 December 2023, the Group endorsed certain bank acceptance bills in the PRC (the "Endorsed Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB342,267,000 (2022: RMB579,469,000). In addition, the Group discounted certain bank acceptance bills in the PRC included in debt investments at fair value through other comprehensive income (the "Discounted Bills") to certain banks to finance its operating cash flows with a carrying amount in aggregate of RMB998,620,000 (2022: RMB937,379,000). The Endorsed Bills and the Discounted Bills had a maturity from one to twelve months at the end of the reporting period. In accordance with the relevant laws and regulations in the PRC and relevant discounting arrangement with certain banks, the holders of the Endorsed Bills and the Discounted Bills have a right of recourse against the Group if the accepting banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Endorsed bills and the Discounted Bills. Accordingly, it has derecognised the full carrying amounts of the Endorsed Bills and the Discounted Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills and the undiscounted cash flows to repurchase these Endorsed Bills and Discounted Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills are not significant.

During the reporting period, the Group has not recognised any gain or loss on the date of transfer of the Endorsed Bills and the Discounted Bills. No gains or losses were recognised from the continuing involvement, both during the year or cumulatively. The endorsement and the discount have been made evenly throughout the reporting period.

51. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets:				
Equity investments designated at fair value through other comprehensive income	**52,774**	15,451	**52,774**	15,451
Debt investments at fair value through other comprehensive income	**642,569**	558,927	**642,569**	558,927
Financial assets at fair value through profit or loss	**2,928,610**	3,317,361	**2,928,610**	3,317,361
Trade receivables — non-current	**85,323**	91,663	**86,341**	92,757
Total	**3,709,276**	3,983,402	**3,710,294**	3,984,496
Financial liabilities:				
Non-current portion of interest-bearing bank borrowings	**13,504,923**	11,600,437	**13,806,197**	11,699,168
Interest-bearing other borrowings	**499,908**	2,845,263	**497,804**	2,846,606
Financial liabilities included in other long-term liabilities	**2,964,353**	2,496,084	**2,964,353**	2,496,084
Total	**16,969,184**	16,941,784	**17,268,354**	17,041,858

Management has assessed that the fair values of cash and bank balances, trade and bills receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial assets included in other non-current assets and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments or the interest rate is approximate to the discount rate of current market.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

51. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for the non-current portion of interest-bearing bank and other borrowings as at 31 December 2023 was assessed to be insignificant.

The fair values of listed corporate bond issued by the Company and equity investments without a lock-up period are based on quoted market prices. The fair values of listed equity investments with a lock-up period have been estimated based on assumptions that are supported by observable market prices and discount for lack of marketability. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income or profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 31 December 2023:

Unobservable inputs for Level 3 assets

The financial assets measured at fair value held by the Group which were classified in Level 3 primarily correspond to unlisted equity investments not quoted in an active market.

For the fair value of the unlisted equity investments is based on valuation techniques for which the input that is significant to the fair value measurement is unobservable. For certain unlisted equity investments, the Group adopts quotation from counterparties' quotations or valuation techniques to determine the fair value. Valuation techniques include a discounted cash flow analysis, the market comparison approach, etc. The fair value measurement of these financial instruments may involve unobservable inputs such as liquidity discount. Fair value change resulting from changes in the unobservable inputs was not significant. The Finance Department periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in Level 3.

Unobservable inputs for Level 3 liabilities

Significant unobservable valuation input for the share redemption option granted to non-controlling shareholders of subsidiaries included in other long-term liabilities of RMB1,601,368,000 (31 December 2022: RMB1,550,983,000 included in other long-term liabilities) is the progress of research and development activities or net profit of the subsidiaries.

Significant unobservable valuation input for other financial liabilities included in other long-term liabilities is value of net assets of subsidiaries.

51. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:
As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Financial assets at fair value through profit or loss *(note 29)*	**1,192,643**	**98,723**	**1,637,244**	**2,928,610**
Equity investments designated at fair value through other comprehensive income *(note 21)*	**52,774**	**—**	**—**	**52,774**
Debt investments at fair value through other comprehensive income	**—**	**642,569**	**—**	**642,569**
Total	**1,245,417**	**741,292**	**1,637,244**	**3,623,953**

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss *(note 29)*	637,661	626,683	2,053,017	3,317,361
Equity investments designated at fair value through other comprehensive income *(note 21)*	15,451	—	—	15,451
Debt investments at fair value through other comprehensive income	—	558,927	—	558,927
Total	653,112	1,185,610	2,053,017	3,891,739

51. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	Financial assets at fair value through profit or loss 2023 RMB'000	Financial assets at fair value through profit or loss 2022 RMB'000
As at 1 January	**2,053,017**	1,614,496
Transferred in	**384,180**	359,340
Transferred out	**(937,911)**	(151,938)
Total gains recognised in the statement of profit or loss included in other gains	**92,710**	126,888
Total gains recognised in other comprehensive income	**18,781**	80,510
Addition	**198,764**	584,047
Settlement	**(172,297)**	(560,326)
As at 31 December	**1,637,244**	2,053,017

During the year, the fair value measurements of financial assets at fair value through profit or loss held by the Group with the carrying amount of RMB748,706,000 were transferred from Level 2 to Level 1 (2022: RMB11,973,000) due to the end of the restricted stock trade period. The fair value measurements of financial assets at fair value through profit or loss held by the Group with the carrying amount of nil were transferred from Level 3 to Level 1 (2022: RMB61,743,000) due to the fact that the investee companies were listed and the shares were tradable. The fair value measurements of financial assets at fair value through profit or loss held by the Group with the carrying amount of RMB937,911,000 were transferred from Level 3 to Level 2 (2022: RMB90,195,000) due to the fact that the investee companies were listed but still in the restricted sale period.

51. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Amounts included in other long-term liabilities	**—**	**—**	**2,479,775**	**2,479,775**

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Amounts included in other long-term liabilities	—	—	2,182,394	2,182,394

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of level 3 for financial liabilities (2022: Nil).

The movements in fair value measurements in Level 3 during the year are as follows:

	2023 RMB'000	2022 RMB'000
Amounts included in other long-term liabilities:		
At 1 January	**2,182,394**	1,729,070
Total gains recognised in other gains	**(47,204)**	(47,761)
Total losses recognised in other reserve	**50,385**	52,026
Addition	**294,200**	449,059
At 31 December	**2,479,775**	2,182,394

51. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Assets for which fair values are disclosed:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Trade receivables — non-current	**—**	**86,341**	**—**	**86,341**

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Trade receivables — non-current	—	92,757	—	92,757

51. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Non-current portion of interest-bearing bank borrowings	**—**	**13,806,197**	**—**	**13,806,197**
Interest-bearing other borrowings	**—**	**497,804**	**—**	**497,804**
Amounts included in other long-term liabilities	**—**	**484,578**	**—**	**484,578**
Total	**—**	**14,788,579**	**—**	**14,788,579**

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Non-current portion of interest-bearing bank borrowings	—	11,699,168	—	11,699,168
Interest-bearing other borrowings	747,283	2,099,323	—	2,846,606
Amounts included in other long-term liabilities	—	313,690	—	313,690
Total	747,283	14,112,181	—	14,859,464

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and floating rate debts.

As at 31 December 2023, the total interest-bearing bank borrowings of RMB15,215,190,000 (31 December 2022: RMB16,899,440,000) of the Group were with floating interest rates denominated in RMB, USD or EUR.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax through the impact on floating rate borrowings.

Increase/(decrease) in the Group's profit after tax

	Increase/ (decrease) in basis %	**Increase/ (decrease) in profit after tax** RMB'000
2023		
RMB	**1**	**(67,273)**
USD	**1**	**(31,003)**
EUR	**1**	**(15,838)**
RMB	**(1)**	**67,273**
USD	**(1)**	**31,003**
EUR	**(1)**	**15,838**
2022		
RMB	1	(71,646)
USD	1	(36,038)
EUR	1	(19,061)
RMB	(1)	71,646
USD	(1)	36,038
EUR	(1)	19,061

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Foreign currency risk

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

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD, EUR and HKD exchange rates, with all other variables held constant, of the Group's profit after tax arising from USD, EUR and HKD denominated financial instruments.

	Increase/ (decrease) in foreign currency rate %	**Increase/ (decrease) in profit after tax** RMB'000
2023		
If RMB weakens against USD	**5**	**12,354**
If RMB strengthens against USD	**(5)**	**(12,354)**
If RMB weakens against EUR	**5**	**(53,094)**
If RMB strengthens against EUR	**(5)**	**53,094**
If RMB weakens against HKD	**5**	**32,196**
If RMB strengthens against HKD	**(5)**	**(32,196)**
2022		
If RMB weakens against USD	5	17,257
If RMB strengthens against USD	(5)	(17,257)
If RMB weakens against EUR	5	(84,372)
If RMB strengthens against EUR	(5)	84,372
If RMB weakens against HKD	5	44,883
If RMB strengthens against HKD	(5)	(44,883)

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk

The Group trades only with related companies and recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, and deposits and other receivables, arises from the default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Maximum exposure and year-end staging

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Toal RMB'000
Trade and bills receivables*	—	—	—	7,937,425	7,937,425
Debt investments at fair value through other comprehensive income*	642,569	—	—	—	642,569
Financial assets included in prepayments, other receivables and other assets — Normal**	707,320	—	—	—	707,320
Trade receivables — non-current	90,435	—	—	—	90,435
Other non-current assets	196,743	—	—	—	196,743
Cash and bank balances — Not yet past due	13,693,591	—	—	—	13,693,591
Total	15,330,658	—	—	7,937,425	23,268,083

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk (Continued)

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Toal RMB'000
Trade and bills receivables*	—	—	—	7,820,134	7,820,134
Debt investments at fair value through other comprehensive income*	558,927	—	—	—	558,927
Financial assets included in prepayments, other receivables and other assets — Normal**	636,158	—	—	—	636,158
Trade receivables — non-current	96,746	—	—	—	96,746
Other non-current assets	365,879	—	—	—	365,879
Cash and bank balances — Not yet past due	16,241,313	—	—	—	16,241,313
Total	17,899,023	—	—	7,820,134	25,719,157

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 26 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 26 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing borrowings. As at 31 December 2023, 53% (31 December 2022: 55%) of the Group's borrowings would mature in less than one year based on the carrying values of the borrowings.

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

2023	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	—	20,290,571	13,825,155	1,128,123	35,243,849
Lease liabilities	—	329,524	1,146,574	1,022,455	2,498,553
Trade and bills payables	—	6,159,619	—	—	6,159,619
Financial liabilities included in other payables and accruals	4,210,861	118,749	—	—	4,329,610
Financial liabilities included in other long-term liabilities	—	—	2,955,694	162,865	3,118,559
Total	4,210,861	26,898,463	17,927,423	2,313,443	51,350,190

2022	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	—	17,782,990	10,724,299	2,359,103	30,866,392
Lease liabilities	—	184,406	626,780	179,982	991,168
Trade and bills payables	—	6,284,041	—	—	6,284,041
Financial liabilities included in other payables and accruals	5,353,266	159,827	—	—	5,513,093
Financial liabilities included in other long-term liabilities	—	—	2,198,949	501,264	2,700,213
Total	5,353,266	24,411,264	13,550,028	3,040,349	46,354,907

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments included in financial assets at fair value through profit or loss (note 29) and equity investments at fair value through other comprehensive Income (note 21) as at 31 December 2023. The Group's listed investments are listed on the stock exchanges in Shanghai, Shenzhen, Hong Kong, New York, NASDAQ and Korea which are valued at quoted market prices or using valuation techniques at the end of the reporting period.

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the equity investments, with all other variables held constant and after any impact on tax, based on their carrying amounts at the end of the reporting period. For the purposes of this analysis, for the equity investments at fair value through other comprehensive income, the impact is deemed to be on the fair value reserve revaluation reserve, respectively.

	Change in equity prices %	**Carrying amount of equity investments** RMB'000	**Change in profit after tax** RMB'000	**Change in equity*** RMB'000
2023				
Equity Investments				
Financial assets at fair value through profit or loss	**10**	**1,291,366**	**113,344**	**—**
Financial assets at fair value through profit or loss	**(10)**	**1,291,366**	**(113,344)**	**—**
Financial assets at fair value through other comprehensive income	**10**	**52,774**	**—**	**4,370**
Financial assets at fair value through other comprehensive income	**(10)**	**52,774**	**—**	**(4,370)**
2022				
Equity Investments				
Financial assets at fair value through profit or loss	10	1,264,344	116,403	—
Financial assets at fair value through profit or loss	(10)	1,264,344	(116,403)	—
Financial assets at fair value through other comprehensive income	10	15,451	—	1,194
Financial assets at fair value through other comprehensive income	(10)	15,451	—	(1,194)

* Excluding retained profits

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(f) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes interest-bearing bank and other borrowings, other long-term liabilities less cash and cash equivalents. Total equity includes equity attributable to owners of the parent and non-controlling interests. The gearing ratios as at the end of the reporting periods were as follows:

	2023 **RMB'000**	2022 RMB'000
Interest-bearing bank and other borrowings *(note 34)*	**32,573,741**	29,116,228
Less: Cash and bank balances *(note 30)*	**(13,693,591)**	(16,241,313)
Net debt	**18,880,150**	12,874,915
Total equity	**56,577,885**	54,058,193
Total equity and net debt	**75,458,035**	66,933,108
Gearing ratio	**25%**	19%

53. EVENTS AFTER THE REPORTING PERIOD

On 12 March 2024, Shenzhen Fuxin Shenyao Investment Partnership (Limited Partnership) (referred to as "Fuxin Shenyao"), Fosun Pharmaceutical Industry Development (Shenzhen) Co.,Ltd. (referred to as "Fosun Pharma (Shenzhen)"), and Shanghai Fujian Equity Investment Fund Management Co., Ltd. (referred to as "Fujian Fund Management Company"), which were the subsidiaries of the Company signed several partnership agreements with seven other investors to jointly establish Shenzhen Pengfu Biopharmaceutical Industry Private Equity Investment Fund Partnership Enterprise (Limited Partnership) (referred to as "Shenzhen Fund") and plan to raise RMB5 billion; among them, Fuxin Shenyao (as General partner), Fosun Pharma (Shenzhen) and Fujian Fund Management Company (as Limited partners) plan to make contributions of RMB20 million, RMB1.43 billion, and RMB50 million in cash respectively to subscribe for Shenzhen Fund's asset portion. After the completion of this transaction, the Group (through its subsidiaries Fuxin Shenyao, Fosun Pharma (Shenzhen), and Fujian Fund Management Company) will collectively hold 30% of the Shenzhen Fund's asset portion.

54. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**6,945**	6,478
Other intangible assets	**1,346**	1,608
Investments in subsidiaries	**14,905,688**	13,367,102
Investments in associates	**7,477,556**	7,926,186
Financial assets at fair value through profit or loss	**39,372**	312,796
Other non-current assets	**4,772,993**	4,667,335
Total non-current assets	**27,203,900**	26,281,505
CURRENT ASSETS		
Prepayments, deposits and other receivables	**6,830,087**	9,464,458
Financial assets at fair value through profit or loss	**117,695**	—
Cash and bank balances	**1,988,658**	2,283,272
	8,936,440	11,747,730
Assets of a disposal group classified as held for sale	**—**	57,280
Total current assets	**8,936,440**	11,805,010
CURRENT LIABILITIES		
Other payables and accruals	**2,997,395**	3,968,412
Interest-bearing bank and other borrowings	**7,540,889**	6,678,644
Tax payable	**2,119**	2,119
Total current liabilities	**10,540,403**	10,649,175
NET CURRENT (LIABILITIES)/ASSETS	**(1,603,963)**	1,155,835
TOTAL ASSETS LESS CURRENT LIABILITIES	**25,599,937**	27,437,340
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**1,728,936**	3,497,231
Deferred tax liability	**968,947**	968,947
Other long-term liabilities	**—**	2,577
Total non-current liabilities	**2,697,883**	4,468,755
Net assets	**22,902,054**	22,968,585
EQUITY		
Share capital	**2,672,399**	2,672,157
Treasury shares	**(41,928)**	(53,255)
Reserves	**20,271,583**	20,349,683
Total equity	**22,902,054**	22,968,585

54. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium and others RMB'000	Fair value reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 31 December 2021 and 1 January 2022	13,835,125	12,296	1,281,449	1,069,726	16,198,596
Total comprehensive income for the year	—	—	—	1,184,557	1,184,557
Issue of A shares	4,400,195	—	—	—	4,400,195
Equity-settled share-based payments	1,800	—	—	—	1,800
Profit appropriation to reserves	—	—	54,629	(54,629)	—
Final 2021 dividend declared and paid	—	—	—	(1,435,465)	(1,435,465)
At 31 December 2022	18,237,120	12,296	1,336,078	764,189	20,349,683

	Share premium and others RMB'000	**Fair value reserve RMB'000**	**Statutory surplus reserve RMB'000**	**Retained profits RMB'000**	**Total RMB'000**
At 31 December 2022 and 1 January 2023	**18,237,120**	**12,296**	**1,336,078**	**764,189**	**20,349,683**
Total comprehensive income for the year	**—**	**—**	**—**	**1,036,680**	**1,036,680**
Issue of A shares	**7,540**	**—**	**—**	**—**	**7,540**
Repurchase and cancellation of restricted A shares	**(2,627)**	**—**	**—**	**—**	**(2,627)**
Equity-settled share-based payments	**9,765**	**—**	**—**	**—**	**9,765**
Profit appropriation to reserves	**—**	**—**	**121**	**(121)**	**—**
Acquisitions of subsidiaries	**(8,054)**	**—**	**—**	**—**	**(8,054)**
Final 2022 dividend declared and paid	**—**	**—**	**—**	**(1,121,404)**	**(1,121,404)**
At 31 December 2023	**18,243,744**	**12,296**	**1,336,199**	**679,344**	**20,271,583**

55. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2024.

Definitions

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below.

"2022 H Share Employee Share Ownership Scheme" or "H Share Employee Share Ownership Scheme"	the 2022 H Share Employee Share Ownership Scheme of the Company
"2022 Non-public Issuance of A Shares"	the issuance of an aggregate of 106,756,666 new A Shares of the Company to subscribers in the non-public issuance of shares at the issue price of RMB42.00 per share in July 2022
"2022 Restricted A Share Incentive Scheme" or "Restricted A Share Incentive Scheme"	the 2022 Restricted A Share Incentive Scheme of the Company
"2023 Final Dividend"	the final dividend of RMB0.27 (before tax) per share for the year ended 31 December 2023
"A Share(s)"	domestic share(s) of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
"ADC"	Antibody-drug Conjugate
"Alma HK"	Alma Hong Kong 2023 Limited, a company incorporated in Hong Kong and a subsidiary of the Company as at the end of the Reporting Period
"Alma Lasers"	Alma Lasers Ltd., a company incorporated in Israel and a subsidiary of the Company
"Anji Fund"	Anji Fuyao Xingyue Venture Capital Partnership (Limited Partnership)* (安吉復曜星越創業投資合夥企業(有限合夥)), a subsidiary of the Company
"Anji Innovative MedTech Fund"	Anji Fuyu Chengxiang Venture Capital Investment Partnership (Limited Partnership)* (安吉復毓承祥創業投資合夥企業(有限合夥)), a subsidiary of the Company
"API"	Active Pharmaceutical Ingredient
"Articles of Association"	the articles of association of the Company
"associates"	has the meaning given to it under the Hong Kong Listing Rules
"Avanc Pharma"	Jinzhou Avanc Pharmaceutical Company Limited* (錦州奧鴻藥業有限責任公司), a subsidiary of the Company
"Beijing Xingyi"	Beijing Xingyi Clinic Co., Ltd.* (北京星宜診所有限公司), a subsidiary of the Company
"BIC"	Best-in-class
"Board"	the board of Directors
"Boston Oncology"	Boston Oncology, LLC, a company incorporated in U.S.
"Breas"	Breas Medical Holdings AB, a company incorporated in Sweden and a subsidiary of the Company
"BSE"	BSE Limited
"Carelife Pharma"	Chongqing Carelife Pharmaceutical Co., Ltd.* (重慶凱林製藥有限公司), a subsidiary of the Company
"CDMO"	Contract Development and Manufacturing Organization

Definitions

"Cenexi"	Phixen, société par actions simplifiée, a company incorporated in France and a subsidiary of the Company as at the end of the Reporting Period
"CG Code"	the Corporate Governance Code contained in Appendix C1 to the Hong Kong Listing Rules
"Changjiang Pension"	Changjiang Pension Insurance Co., Ltd.* (長江養老保險股份有限公司), the management agency for the 2022 H Share Employee Share Ownership Scheme of the Company
"Changjiang Pension Employee Share Ownership Product"	Changjiang Pension Enterprise Employee Share Ownership Special Collective Group Pension Security Management Product (長江養老企業員工持股專項集合型團體養老保障管理產品)
"Chemo Biopharma"	Shanghai Chemo Biopharma Co., Ltd.* (上海凱茂生物醫藥有限公司), a subsidiary of the Company
"Chindex"	Chindex (Beijing) International Trade Company Limited* (美中互利(北京)國際貿易有限公司), a subsidiary of the Company
"CMC"	Chemical Manufacturing and Control
"CMO"	Contract Manufacture Organization
"Code Provision"	code provisions under the CG Code
"Company" or "Fosun Pharma"	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (上海復星醫藥(集團)股份有限公司), a joint stock company established in the PRC with limited liability, whose H Shares and A Shares are listed and traded on the main board of the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively
"connected person(s)"	has the meaning given to it under the Hong Kong Listing Rules
"controlling shareholder(s)"	has the meaning given to it under the Hong Kong Listing Rules
"CQ Pharma Holdings"	Chongqing Pharmaceutical Holdings Company Limited* (重藥控股股份有限公司), a company incorporated in the PRC and listed on the Shenzhen Stock Exchange (Stock Code: 000950)
"CSRC"	China Securities Regulatory Commission* (中國證券監督管理委員會)
"Dalian Fujian"	Dalian Fujian Xingweilai Venture Capital Investment Management Partnership (Limited Partnership)* (大連復健星未來創業投資管理合夥企業(有限合夥)), a subsidiary of the Company
"Dalian Fund"	Dalian Xingweilai Venture and Innovation Fund Partnership (Limited Partnership)* (大連星未來創業創新基金合夥企業(有限合夥)), a subsidiary of the Company
"Deed of Non-Competition"	the deed of non-competition dated 13 October 2012 and executed by the controlling shareholders in favour of the Company (for itself and as trustee of its subsidiaries from time to time)
"Dengrui Feiye"	Hubei Dengrui Feiye Company Limited* (湖北登瑞肥業有限公司), a subsidiary of the Company
"Director(s)"	director(s) of the Company
"DTP"	Direct to Patient
"EBITDA"	earnings before interest, taxes, depreciation and amortization
"EHS"	environment, health and safety

Definitions

"EMA"	European Medicine Agency
"ESG"	Environmental, Social and Governance
"ESG Committee"	Environmental, Social and Governance Committee of the Board
"EU"	European Union
"FIC"	First-in-class
"Foshan Fosun Chancheng Hospital"	Foshan Fosun Chancheng Hospital Limited* (佛山復星禪誠醫院有限公司), a subsidiary of the Company
"Fosun Aleph"	Fosun Aleph (Dalian) Biomedical Co., Ltd.* (復星雅立峰(大連)生物製藥有限公司), a subsidiary of the Company
"Fosun Antejin"	Fosun Antejin (Chengdu) Biomedical Co., Ltd.* (復星安特金(成都)生物製藥有限公司), a subsidiary of the Company
"Fosun Beiling"	Fosun Beiling (Beijing) Medical Technology Co., Ltd.* (復星北鈴(北京)醫療科技有限公司), a subsidiary of the Company
"Fosun Diagnosis"	Fosun Diagnosis Technology (Shanghai) Co., Ltd.* (復星診斷科技(上海)有限公司), a subsidiary of the Company
"Fosun Finance"	Fosun Group Finance Corporation Limited* (上海復星高科技集團財務有限公司), a subsidiary of Fosun High Tech
"Fosun Foundation"	Shanghai Fosun Foundation
"Fosun Health"	Shanghai Fosun Health Technology (Group) Co., Ltd.* (上海復星健康科技(集團)有限公司), a subsidiary of the Company
"Fosun Health Holding"	Shanghai Fosun Health Industry Holding Company Limited* (上海復星健康產業控股有限公司), a subsidiary of Fosun High Tech
"Fosun High Tech"	Shanghai Fosun High Technology (Group) Company Limited* (上海復星高科技(集團)有限公司), a direct wholly-owned subsidiary of Fosun International and a controlling shareholder of the Company
"Fosun Holdings"	Fosun Holdings Limited, a company incorporated in Hong Kong, a direct wholly-owned subsidiary of Fosun International Holdings and a controlling shareholder of the Company
"Fosun International"	Fosun International Limited, a company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange (Stock Code: 00656), an indirect subsidiary of Fosun International Holdings and a controlling shareholder of the Company
"Fosun International Holdings"	Fosun International Holdings Limited, a company incorporated in the British Virgin Islands, which was held as to 85.29% and 14.71% by Mr. Guo Guangchang and Mr. Wang Qunbin, respectively, as at the end of the Reporting Period, and a controlling shareholder of the Company
"Fosun Kite"	Fosun Kite Biological Technology Co., Ltd.* (復星凱特生物科技有限公司), a joint venture of the Company
"Fosun Pharmaceutical Industrial"	Shanghai Fosun Pharmaceutical Industrial Development Company Limited* (上海復星醫藥產業發展有限公司), a subsidiary of the Company
"Fosun Tourism"	Fosun Tourism Group, a company incorporated in Cayman Islands and listed on the Hong Kong Stock Exchange (Stock Code: 01992)

Definitions

"Fuhong Kanghe"	Fuhong Kanghe Pharmaceutical Jiangsu Co., Ltd* (復紅康合醫藥江蘇有限公司), a subsidiary of the Company
"Fujian Fund Management Company"	Shanghai Fujian Equity Investment Fund Management Co., Ltd.* (上海復健股權投資基金管理有限公司), a subsidiary of the Company and ceased to be a connected person of the Company with effect from November 2023
"Futuo Zhida"	Shanghai Futuo Zhida Healthcare Technology Co., Ltd.* (上海復拓知達醫療科技有限公司), a subsidiary of the Company
"Fuyao Yingchuang"	Shanghai Fuyao Yingchuang Corporate Management Partnership (Limited Partnership)* (上海復耀瀛創企業管理合夥企業(有限合夥)), a subsidiary of the Company
"GDP"	Gross Domestic Product
"Genuine Biotech"	Henan Genuine Biotech Co., Ltd.* (河南真實生物科技有限公司)
"Gland Pharma"	Gland Pharma Limited, a company incorporated in India and listed on the BSE and NSE (Stock Code: GLAND), a subsidiary of the Company
"GMP"	Good Manufacture Practices
"Group" or "Fosun Pharma Group"	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require)
"Guangzhou Xinshi Hospital"	Guangzhou Xinshi Hospital Co., Ltd.* (廣州新市醫院有限公司), a subsidiary of the Company
"Guilin Pharma"	Guilin Pharmaceutical Co., Ltd.* (桂林南藥股份有限公司), a subsidiary of the Company
"H Share(s)"	overseas listed foreign share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"Hexin Pharma"	Sichuan Hexin Pharmaceutical Co., Ltd.* (四川合信藥業有限責任公司), a subsidiary of the Company
"HKFRS"	the Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars"or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huaiyin Medical"	Huaiyin Medical Instruments Co.,Ltd.* (淮陰醫療器械有限公司), a subsidiary of the Company
"Hunan Dongting" or "Dongting Pharma"	Hunan Dongting Pharmaceutical Co., Ltd.* (湖南洞庭藥業股份有限公司), a subsidiary of the Company
"Insightec"	Insightec Ltd., a company incorporated in Israel
"Intas"	Intas Pharmaceuticals Ltd., a company incorporated in India
"Intuitive Fosun"	Intuitive Fosun HK and Intuitive Fosun Shanghai
"Intuitive Fosun HK"	Intuitive Surgical-Fosun (Hongkong) Co., Limited, a company incorporated in Hong Kong and an associate of the Company

Definitions

"Intuitive Fosun Shanghai"	Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd.* (直觀復星醫療器械技術(上海)有限公司), an associate of the Company
"Jiangsu Fosun Pharma"	Jiangsu Fosun Pharmaceutical Sales Co., Ltd.* (江蘇復星醫藥銷售有限公司), a subsidiary of the Company
"Jianjia Healthcare"	Jianjia Healthcare Investment Management Co., Ltd.* (健嘉醫療投資管理有限公司), formerly known as Sinopharm Holdings Medical Investment Management Co., Ltd.* (國藥控股醫療投資管理有限公司) ("Sinopharm Medical Investment"), a subsidiary of the Company as at the end of the Reporting Period
"Jiluohua Pharma"	Beijing Jiluohua Pharmaceutical Co., Ltd.* (北京吉洛華製藥有限公司), a subsidiary of the Company
"Jisikai (Suzhou)"	Jisikai (Suzhou) Pharmaceutical Co., Ltd.* (吉斯凱(蘇州)製藥有限公司), a subsidiary of the Company
"Jisimei (Wuhan)"	Jisimei (Wuhan) Pharmaceutical Co., Ltd.* (吉斯美(武漢)製藥有限公司), a subsidiary of the Company
"Jisirui Pharma"	Chongqing Jisirui Pharmaceutical Co., Ltd.* (重慶吉斯瑞製藥有限責任公司), a subsidiary of the Company
"KGbio"	PT Kalbe Genexine Biologics, a company incorporated in Indonesia
"Kite Pharma"	KP EU C.V., a company incorporated in the Netherlands
"Macau"	the Macau Special Administrative Region of the PRC
"MAH"	Marketing Authorization Holder
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Hong Kong Listing Rules
"National Health Commission"	National Health Commission of the People's Republic of China (中華人民共和國國家衛生健康委員會)
"National Medical Insurance Drugs Catalogue"	National Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance Drugs Catalogue (《國家基本醫療保險、工傷保險和生育保險藥品目錄》)
"NDA"	new drug application
"NEEQ"	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
"Ningbo Fuying"	Ningbo Fuying Investment Co., Ltd.* (寧波復瀛投資有限公司), a subsidiary of the Company
"NMPA"	National Medical Products Administration of the PRC (中國國家藥品監督管理局)
"NSE"	The National Stock Exchange of India Limited
"PCT"	Patent Cooperation Treaty
"POCT"	Point-of-Care Testing
"Prollenium"	Prollenium Medical Technology, a company incorporated in Canada
"Red Flag Pharma"	Shenyang Red Flag Pharmaceutical Co., Ltd.* (瀋陽紅旗製藥有限公司), a subsidiary of the Company
"PRC" or "China"	The People's Republic of China
"PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》)

"PRC Securities Law"	the Securities Law of the PRC (《中華人民共和國證券法》)
"R&D"	research and development
"Reporting Period"	the 12-month period from 1 January 2023 to 31 December 2023
"restricted A Share(s)"	the A Share(s) granted by the Company to a participant according to the conditions and price stipulated under the 2022 Restricted A Share Incentive Scheme which are subject to the restriction period and can only be unlocked and transferred after the unlocking conditions are satisfied
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Sermonix"	Sermonix Pharmaceuticals, Inc., a company incorporated in U.S.
"Shandong Erye"	Shandong Erye Pharmaceutical Co., Ltd.* (山東二葉製藥有限公司), a subsidiary of the Company
"Shanghai Henlius"	Shanghai Henlius Biotech, Inc.* (上海復宏漢霖生物技術股份有限公司), a company incorporated in the PRC and listed on the Hong Kong Stock Exchange (Stock code: 02696) and a subsidiary of the Company
"Shanghai Listing Rules"	the Stock Listing Rules of the Shanghai Stock Exchange (《上海證券交易所股票上市規則》)
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Shanghai Xingchen Children's Hospital"	Shanghai Xingchen Children's Hospital Co., Ltd.* (上海星晨兒童醫院有限公司), a subsidiary of the Company
"Shanghai Yaokang"	Shanghai Yaokang Pharmaceutical Technology Co., Ltd.* (上海曜康醫藥科技有限公司), a subsidiary of the Company as at the end of the Reporting Period
"Shanghai Zhuoerhui"	Shanghai Zhuoerhui Integrated Outpatient Limited Company* (上海卓爾薈綜合門診部有限公司), a subsidiary of the Company
"Shareholder(s)"	holder(s) of Shares
"Shares"	ordinary shares in the capital of the Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"Shenzhen Hengsheng Hospital"	Shenzhen Hengsheng Hospital* (深圳恒生醫院), a subsidiary of the Company
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所)
"Shine Star"	Hubei Shine Star Biological Engineering Co., Ltd.* (湖北新生源生物工程有限公司), a subsidiary of the Company
"Shinrong Plastic Surgery Hospital"	Chongqing Shinrong Plastic Surgery Hospital Co., Ltd.* (重慶星榮整形外科醫院有限責任公司), a subsidiary of the Company
"Shinsun Pharma"	Liaoning Shinsun Pharmaceutical Co., Ltd.* (遼寧新興藥業股份有限公司), a subsidiary of the Company
"Sinopharm"	Sinopharm Group Co. Ltd.* (國藥控股股份有限公司), a company incorporated in the PRC and listed on the Hong Kong Stock Exchange (Stock Code: 01099), a subsidiary of Sinopharm Industrial
"Sinopharm Industrial"	Sinopharm Industrial Investment Co., Ltd.* (國藥產業投資有限公司), an associate of the Company

Definitions

"Sisram Medical"	Sisram Medical Ltd, a company incorporated in Israel and listed on the Hong Kong Stock Exchange (Stock Code: 01696), a subsidiary of the Company
"substantial shareholder(s)"	has the meaning given to it under the Hong Kong Listing Rules
"Suntech Pharma*	Shanghai Fosun Suntech Pharmaceutical Co., Ltd.* (上海復星星泰醫藥科技有限公司), a subsidiary of the Company
"Supervisors"	the member(s) of the Supervisory Committee
"Supervisory Committee"	the supervisory committee of the Company
"Suqian Zhongwu Hospital"	Suqian Zhongwu Hospital Co., Ltd.* (宿遷市鐘吾醫院有限責任公司), a subsidiary of the Company
"Suzhou Abcarta"	Suzhou Abcarta Medical Technology Co., Ltd.* (蘇州百道醫療科技有限公司), a subsidiary of the Company
"Suzhou Erye"	Suzhou Erye Pharmaceutical Co., Ltd., * (蘇州二葉製藥有限公司, a subsidiary of the Company
"Suzhou Fund"	Suzhou Fujian Xingyi Venture Investment Partnership (Limited Partnership)* (蘇州復健星熠創業投資合夥企業(有限合夥))
"Suzhou Xingchen"	Suzhou Xingchen Venture Investment Partnership (Limited Partnership)* (蘇州星晨創業投資合夥企業(有限合夥)), a subsidiary of the Company
"Suzhou Xingweilai Fund"	Suzhou Xingsheng Yuanfeng Venture and Investment Partnership (Limited Partnership)* (蘇州星盛園豐創業投資合夥企業(有限合夥)), a subsidiary of the Company
"Syneos Health"	Syneos Health, Inc., a company incorporated in the United States
"Tianjin Fund"	Tianjin Fosun Haihe Healthcare Industry Fund Partnership (Limited Partnership)* (天津復星海河醫療健康產業基金合夥企業(有限合夥))
"Tianjin Xingyao"	Xingyao (Tianjin) Investment Management Partnership (Limited Partnership)* (星耀(天津)投資管理合夥企業(有限合夥)), a subsidiary of the Company
"United Health Insurance"	Fosun United Health Insurance Company Limited* (復星聯合健康保險股份有限公司)
"U.S." or "United States"	United States of America, its territories and possessions, any state of the United States and the District of Columbia
"U.S. FDA"	U.S. Food and Drug Administration
"US$"	United States dollars, the lawful currency of the United States
"Wanbang Folon"	Hebei Wanbang Folon Pharmaceutical Co., Ltd.* (河北萬邦復臨藥業有限公司), a subsidiary of the Company
"Wanbang Jinqiao"	Xuzhou Wanbang Jinqiao Pharmaceutical Co., Ltd.* (徐州萬邦金橋製藥有限公司), a subsidiary of the Company
"Wanbang Pharma"	Jiangsu Wanbang Biopharmaceutical Company Limited* (江蘇萬邦生化醫藥集團有限責任公司), a subsidiary of the Company
"Wanbang Tiansheng"	Shenyang Wanbang Tiansheng Biological Technology Co., Ltd.* (瀋陽萬邦天晟生物科技有限公司), a subsidiary of the Company
"Wenzhou Geriatric Hospital"	Wenzhou Geriatric Hospital Co., Ltd.* (溫州老年病醫院有限公司), a subsidiary of the Company

Definitions

"WHO"	World Health Organization
"WHO PQ"	World Health Organization Prequalification
"Written Code"	Written Code for Securities Transactions by Directors/Relevant Employees of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (《上海復星醫藥(集團)股份有限公司董事／有關僱員進行證券交易的書面守則》)
"Xingjian Ruiying Fund"	Nanjing Xingjian Ruiying Equity Investment Partnership (Limited Partnership)* (南京星健睿贏股權投資合夥企業(有限合夥)), a subsidiary of the Company
"Xingnuo Pharma"	Jiangsu Xingnuo Pharmaceutical Technology Company Limited* (江蘇星諾醫藥科技有限公司), a subsidiary of the Company
"Xingsheng Fuying"	Suzhou Xingzheng Fuying Corporate Management Partnership (Limited Partnership)* (蘇州星盛復盈企業管理合夥企業(有限合夥)), a subsidiary of the Company
"Xuzhou Fund"	Xuzhou Fuyao Xingpeng Venture Capital Partnership (Limited Partnership)* (徐州復曜星彭創業投資合夥企業(有限合夥)), a subsidiary of the Company
"Xuzhou Innovative MedTech Fund"	Xuzhou Fuyu Pengtai Venture Capital Investment Partnership (Limited Partnership)* (徐州復毓彭泰創業投資合夥企業(有限合夥)), a subsidiary of the Company
"Xuzhou Wanbang Cloud Pharmacy"	Xuzhou Wanbang Cloud Pharmacy Chain Co., Ltd.* (徐州萬邦雲藥房連鎖有限公司)
"Xuzhou Xingchen Women's and Children's Hospital"	Xuzhou Xingchen Women's and Children's Hospital Co., Ltd.* (徐州星晨婦兒醫院有限公司), a subsidiary of the Company
"Yao Pharma"	Chongqing Yao Pharmaceutical Company Limited* (重慶藥友製藥有限責任公司), a subsidiary of the Company
"YSB"	YSB Inc., a company incorporated in the Cayman Islands and listed on the Hong Kong Stock Exchange (Stock Code: 09885)
"Zhaohui Pharma"	Shanghai Zhaohui Pharmaceutical Co., Ltd.* (上海朝暉藥業有限公司), a subsidiary of the Company
"%"	per cent

In this annual report, if there is any inconsistency between the Chinese names of the entities, authorities, organizations, institutions or enterprises established in China or the awards or certificates given in China and their English translations, the Chinese version shall prevail.

* *for identification purposes only*

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