FOSUN PHARMA

INNOVATION
FOR GOOD HEALTH

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

ANNUAL REPORT 2021

*For identification purposes only

OUR MISSION

Better health for families worldwide.

OUR VALUE

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

INnovation

INternationalization

4IN

INtegration

INtelligentization

Our Vision

Dedicate to become a first-tier enterprise in the global mainstream pharmaceutical and healthcare market.

Our Mission

Better health for families worldwide.

Contents

Corporate Information

Directors

Executive Directors

Mr. Wu Yifang (吳以芳)
(Chairman and Chief Executive Officer)
Mr. Wang Kexin (王可心) *(Vice-Chairman)*[1]
Ms. Guan Xiaohui (關曉暉) *(Vice-Chairman)*[1]

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)
Mr. Gong Ping (龔平)[2]
Mr. Zhang Houlin (張厚林)[2]

Independent Non-executive Directors

Ms. Li Ling (李玲)
Mr. Tang Guliang (湯谷良)
Mr. Wang Quandi (王全弟)[3]
Mr. Yu Tze Shan Hailson (余梓山)[3]
Mr. Jiang Xian (江憲)[4]
Dr. Wong Tin Yau Kelvin (黃天祐)[4]

Supervisors

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

Joint Company Secretaries

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

Authorized Representatives

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

Strategic Committee

Mr. Chen Qiyu (陳啟宇) *(Chairman)*
Mr. Wu Yifang (吳以芳)
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)[3]
Ms. Li Ling (李玲)[5]
Mr. Jiang Xian (江憲)[4]
Mr. Gong Ping (龔平)[2]

Nomination Committee

Mr. Wang Quandi (王全弟)[3] *(Chairman)*
Ms. Li Ling (李玲)
Mr. Pan Donghui (潘東輝)
Mr. Jiang Xian (江憲)[4]

Remuneration and Appraisal Committee

Mr. Yu Tze Shan Hailson (余梓山)[3] *(Chairman)*
Mr. Tang Guliang (湯谷良)
Mr. Wang Quandi (王全弟)[3]
Mr. Chen Qiyu (陳啟宇)
Mr. Pan Donghui (潘東輝)
Mr. Jiang Xian (江憲)[4]
Dr. Wong Tin Yau Kelvin (黃天祐)[4]

[1] Elected as the executive Director of the Company on 7 December 2021 and appointed as the vice-chairman on 4 January 2022.
[2] Resigned on 9 November 2021.
[3] Appointed on 11 June 2021.
[4] Retired on 11 June 2021.
[5] Appointed on 9 November 2021.

Environmental, Social and Corporate Governance Committee

Mr. Yu Tze Shan Hailson (余梓山)[3] *(Chairman)*
Ms. Li Ling (李玲)
Mr. Wu Yifang (吴以芳)
Dr. Wong Tin Yau Kelvin (黄天祐)[4]

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

Level 54, Hopewell Centre
183 Queen's Road East
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
China Development Bank
The Industrial and Commercial Bank of China
Bank of China
China Merchants Bank
HSBC

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

Corporate Information

A Share Registrar and Transfer Office in the PRC

China Securities Depository & Clearing Corporation Limited
(CSDCC) Shanghai Branch
No. 188 South Yanggao Road
Pudong District
Shanghai, China

H Share Registrar and Transfer Office in Hong Kong

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Corporate Website

http://www.fosunpharma.com

Financial Highlights

	2021 RMB million	2020 RMB million (Restated)
Operating results		
Revenue	**38,858**	30,163
Gross profit	**18,630**	16,430
Operating profit	**2,393**	2,437
Profit before tax	**6,054**	4,678
Profit for the year attributable to owners of the parent	**4,735**	3,663
Profitability		
Gross margin	**47.94%**	54.47%
Net profit margin	**12.84%**	13.06%
Earnings per share (RMB Yuan)		
Earnings per share — basic	**1.85**	1.43
Earnings per share — diluted	**1.85**	1.43
Assets		
Total assets	**93,237**	83,629
Equity attributable to owners of the parent	**39,135**	36,939
Total liabilities	**44,918**	37,702
Cash and bank balances	**10,308**	9,962
Debt-to-asset ratio	**48.18%**	45.08%
Of which: Pharmaceutical manufacturing segment		
Revenue	**28,772**	21,748
Gross profit	**14,932**	13,082
Segment results	**2,964**	2,262
Segment profit for the year	**2,630**	2,355

Chairman's Statement

Dear Shareholders,

In 2021, with the intensified efforts in the reform of medical and healthcare system in the PRC, and the successive introduction of policies including the Marketing Authorization Holder system for pharmaceutical products and medical devices, national centralized procurement and price negotiation of pharmaceutical products, clinical guidelines for anti-tumor drugs based on clinical value, and the reform of payment methods in terms of diagnosis-related groups/diagnosis-intervention packets (DRG/DIP), the overall pharmaceutical manufacturing industry entered a transition period along with significant adjustments in the industry structure, which placed further downward pressure on generic drugs. The research and development and launch of innovative drugs enjoyed a period of rapid development while the competition for innovation and research and development has been increasingly fierce. Medical devices and medical diagnosis benefited from innovative policies and domestic substitutes with opportunities instead of challenges. Due to the global pandemic outbreak, there was a strong demand for certain medical devices and medical consumables, which resulted in a significant increase in exports. By virtue of the stable pandemic situation in the PRC, the healthcare service market has been gradually recovering. In 2021, the government further emphasized the "Internet + Healthcare" model, and encouraged medical institutions to apply new technologies such as the Internet to build a new healthcare service industry offering integrating online and offline with comprehensive scenarios.

During the Reporting Period, the Group continued to adhere to its business philosophy of "Innovation for Good Health", actively promoted innovation and transformation, fully accelerated international layout, enhanced integration of research and development, supply chain, production and commercialization systems, and promoted the improvement in corporate operations in terms of quality and efficiency, thereby achieving steady development in business performance.

Mr. Wu Yifang
Chairman

2021 REVIEW

Businesses directly operated by the Group comprise pharmaceutical manufacturing, medical devices and medical diagnosis and healthcare service, and also has a presence in pharmaceutical commerce through its investment in Sinopharm. During the Reporting Period, under the guidance of the "4IN" strategy (Innovation, Internationalization, Integration and Intelligentization), 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 its R&D and license introduction capabilities, enrich its product lines, strengthen its international layout and improve its operating efficiency, while actively promoting the online and offline layout in the healthcare industry.

During the Reporting Period, the revenue of the Group amounted to RMB38,858 million, representing a year-on-year increase of 28.83%. Net profit attributable to shareholders of the listed company amounted to RMB4,735 million, representing a year-on-year increase of 29.28%. Net cash flow from operating activities amounted to RMB3,949 million, representing a year-on-year increase of 53.07%.

During the Reporting Period, the Group continued to enhance its R&D expenditure. The total R&D expenditure amounted to RMB4,975 million for the year, representing a year-on-year increase of 24.28%. In particular, the R&D expenses amounted to RMB3,834 million, representing a year-on-year increase of RMB1,039 million or 37.17%.

During the Reporting Period, despite the fact that our existing products were under pressure of price reduction from centralized procurement of pharmaceutical products, the Group adhered to the implementation of the "4IN" strategy (Innovation, Internationalization, Integration and Intelligentization), and the overall business performance maintained steady growth. Proportion of revenue from new products and proportion of revenue from regions outside Chinese Mainland and other countries continued to increase, and revenue structure continued to be optimized. In 2021, the implementation of R&D and innovation accelerated. A number of innovative products such as Yi Kai Da (Ejilunsai injection) and Serplulimab injection were approved successively or entered critical clinical/approval stage. Overseas capabilities continued to be strengthened. A global business deployment with full coverage of research, production and sales with the United States as the second headquarters was formed. The integration and prioritization of the Group's business lines and organizational structure continued to advance, realizing the focus of each segment by product lines.

(1) The Group continuously promoted innovation transformation and the development and launch of innovative products and technology platforms with a continuous increase in the proportion of revenue from new products and an optimized revenue structure. During the Reporting Period, the revenue from new products and sub-new products, including but not limited to Comirnaty, Han Li Kang, Han Qu You and Su Ke Xin, accounted for more than 25% of revenue from the pharmaceutical manufacturing segment. During the Reporting Period, Comirnaty (mRNA COVID-19 vaccine) was included in the government vaccination program in Hong Kong and Macau in March 2021, and it has been administered in Taiwan region of China since September 2021. As of the end of February 2022, more than 20 million doses of the vaccine had been administered in Hong Kong, Macau and Taiwan. Yi Kai Da (Ejilunsai injection) was approved for launch in June 2021, and had become the first CAR-T cell therapy product approved for domestic launch. As of the end of February 2022, Yi Kai Da had been included in the urban customized commercial health insurance of more than 23 provinces and municipalities and over 40 commercial insurances. In addition, the Group's innovation pipeline continued to be launched. The new drug application for the first indication (treatment of highly microsatellite unstable type (MSI-H) solid tumors) of PD-1 inhibitor Serplulimab was included in the priority review process, and the new drug application for the second indication (treatment of squamous non-small cell lung cancer) has also been accepted. Products including Han Bei Tai (bevacizumab biosimilar), Yi Bao (recombinant human erythropoietin for injection) (with new indication for the treatment of chemotherapy-induced anemia in patients with non-myeloid malignancies) were approved for launch. FCN-437c and other pipeline products entered phase III clinical stage.

(2) The Group continuously strengthened its construction of full capacity for global operation and further enhanced global operation capability. The Group made great progress in market access and commercialization team building in the United States, Africa, Hong Kong and Macau. During the Reporting Period, the revenue from regions outside Chinese Mainland and other countries reached RMB13,599 million, accounting for 35.00% of the Group's total revenue. As at the end of the Reporting Period, the overseas commercial team of the Group comprised more than 1,200 employees. The Group has established marketing platforms in the United States, Africa and Europe, and achieved the direct sales of preparations to the United States market. Sisram Medical, Breas and other medical device business has covered major regions such as China, the United States and Europe, and Fosun Diagnosis' test kits for 2019-nCoV have been sold in more than ten countries. During the Reporting Period, the distribution center in Côte d'Ivoire, the first regional pharmaceutical distribution center in Africa, commenced operation. The business achieved substantial sales breakthrough in South Sudan. Gland Pharma, a subsidiary in India, received U.S. FDA marketing approval for a total of 13 generic products during the Reporting Period, and its revenue increased by 29.48% year on year (based on the financial statements of Gland Pharma using its presentation currency). In February 2022, Shanghai Henlius, a subsidiary, entered into a licensing and supply agreement with Getz Pharma, pursuant to which Shanghai Henlius would grant a license to Getz Pharma to commercialize adalimumab injection in eleven emerging markets in Europe, Asia and Africa and any other territories to be mutually agreed, thus expanding into new emerging markets to further accelerate the Group's commercialization globally.

(3) The Group sped up strategic upgrading and internal integration. In 2021, the Group further strengthened internal business rationalization and promoted focus by product lines. During the Reporting Period, the Group promoted strategic integration of its production side by sorting out the advantageous production capacity within the pharmaceutical manufacturing segment, strengthening the supply chain management and accelerating the construction of competitive production bases. The Group upgraded the pharmaceutical manufacturing business into the Innovative Medicines Division, the Established Medicines and Manufacturing & Supply Division and the Vaccines Division at the beginning of 2022, to sort out boundaries between various businesses in the form of business division and accelerate the focus by product lines.

During the Reporting Period, the Group's medical devices and medical diagnosis business continuously strengthened independent operation capability. Through business integration and sorting, the medical device segment basically formed three major businesses with medical cosmetology, respiratory health and professional medical care as the core. In particular, the core platform of medical cosmetology, Sisram Medical, while actively expanding its existing energy-based aesthetics equipment business, made layout in strategic tracks such as aesthetic dentistry, injectables and personal care, and accelerated the construction of medical cosmetology ecology. During the Reporting Period, Sisram Medical completed the merger of Foshion's assets, and entered into a sublicensing agreement with Fosun Pharmaceutical Industrial for the aesthetic indications of RT002 in Greater China (subject to approval by Sisram Medical's general meeting). During the Reporting Period, the Group completed the realignment of the medical diagnosis business and achieved initial operational integration. In line with the strategic layout of medical diagnosis business, the Group completed the acquisition of Suzhou Abcarta and made layout in pathological diagnosis to enrich presence of the diagnosis business. In addition, the Group also completed the transfer of 29.02% equity interest in Yaneng Biotech during the Reporting Period.

(4) The Group continuously promoted the digitalization and intelligent transformation and upgrading. During the Reporting Period, stage results were achieved in R&D and innovation, intelligent manufacturing, smart marketing, smart supply chain, etc. The work on empowering sustainable business development with digitalization was effectively implemented, which significantly improved its overall operational efficiency. The Group built digital service capability based on industrial internet, integrating internal and external medical resources and opening up the flow of data between scenarios, and promoting active transformation into its digitalization and intelligence model. During the Reporting Period, the Group also actively promoted the advancement of health services from the offline model into a new phase of integrated online and offline development.

OUTLOOK

In 2022, the pharmaceutical and healthcare industry in the PRC will remain in an important stage of development and transformation which will be presented with both tough challenges and opportunities for innovation and international development amid the persistence of COVID-19. The Group will continue to commit to its mission of improving human health, adhere to its corporate philosophy of "Innovation for Good Health", and it will 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. While continuously enhancing its R&D capability, it will continue to achieve the transformation and practice of global innovative advanced technology by adopting technology introduction and "deep incubation" models to access the global innovative advanced technology so as to facilitate the innovation and transformation and propel the international expansion of the Group. With respect to production and operation, the Group will strengthen the upgrading and optimization of production and manufacturing systems, continue to improve supply chain management, promote the mutual commissioned production and the 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 active pharmaceutical ingredients, so as to secure production capacity for newly launched products and key products. At the same time, the Group will continue to promote the transformation and upgrading of the digitalization and the intellectualization of enterprises. In addition, the Group will focus on the construction of an operation system as a healthcare service group to further strengthen its management in the healthcare services segment. The Group will further enhance its establishment of core competence to improve its operating results. At the same time, the Group will continue to actively explore financing channels domestically and internationally and create favorable capital foundation for the continuous development of the Group.

In 2022, the Group will endeavor to optimize its product structure and strengthen R&D efficiency. In addition, the Group will continue to optimize operational efficiency in the healthcare service industry, expand the construction of competitive disciplines and enhance quality management, accelerate the Internet transformation of healthcare industry and further promote breakthroughs in the field of consumer medical care so as to expand the operating scale in the segment and improve its capabilities in operation, management and internationalization. The Group will continue to pay attention to merger and acquisition opportunities of excellent enterprises abroad and at home, so as to support and facilitate the consolidation of pharmaceutical and medical devices distribution industries of Sinopharm. In addition, the Group will continue to pay attention to the situation of COVID-19 and adopt relevant preventive measures to ensure the orderly and smooth operation activities.

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

22 March 2022

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 follows:

During the Reporting Period, revenue of the Group amounted to RMB38,858 million, representing an increase of 28.83% as compared to 2020.

During the Reporting Period, the profit for the year attributable to owners of the parent of the Group amounted to RMB4,735 million, representing a year-on-year increase of 29.28%. Net cash flow from operating activities amounted to RMB3,949 million, representing a year-on-year increase of 53.07%. The total R&D expenditure amounted to RMB4,975 million for the year, representing a year-on-year increase of 24.28%. In particular, the R&D expenses amounted to RMB3,834 million, representing a year-on-year increase of RMB1,039 million or 37.17%.

The increase in revenue as compared with the same period last year was mainly due to the revenue contribution from new products and sub-new products, including but not limited to Comirnaty, Han Li Kang, Han Qu You and Su Ke Xin, as well as the contribution from revenue growth of overseas subsidiaries Gland Pharma and Sisram Medical'. The increase in net cash flow from operating activities as compared with the same period last year was mainly due to (1) the cash flow contribution from the growth of revenue and recurring income; (2) the impact of the timing difference in settlement of Comirnaty during the Reporting Period.

During the Reporting Period, earnings per share of the Group increased by 29.37% to RMB1.85 as compared to 2020.

REVENUE

During the Reporting Period, the revenue of the Group amounted to RMB38,858 million, representing a year-on-year increase of 28.83%. The Group recorded revenue of RMB25,259 million in Chinese Mainland, representing a year-on-year increase of 14.94%. Revenue of an equivalent of RMB13,599 million was recorded in countries or regions other than Chinese Mainland, representing a year-on-year increase of 66.08%.

During the Reporting Period, the pharmaceutical manufacturing segment of the Group generated revenue of RMB28,772 million, representing a year-on-year increase of 32.30%. The segment results amounted to RMB2,964 million, representing a year-on-year increase of 31.03%. The segment profit amounted to RMB2,630 million (excluding the gains from changes in the fair value of the shares held of BNTX). Excluding the impact of impairment of goodwill of Avanc Pharma, segment profit increased by 22.04% on the same basis.

COST OF SALES

During the Reporting Period, cost of sales of the Group increased to RMB20,228 million from RMB13,734 million, representing a year-on-year increase of 47.28%, mainly due to the increase in revenue and changes in product structure during the Reporting Period. Cost of sales for 2020 has been adjusted based on the restated figures.

GROSS PROFIT

During the Reporting Period, gross profit of the Group amounted to RMB18,630 million, representing an increase of 13.39% as compared with RMB16,430 million for 2020. The gross profit margin of the Group for 2021 and 2020 was 47.94% and 54.47%, respectively. This year, the gross profit margin of the Group decreased by 6.53 percentage points as compared to 2020.

SELLING AND DISTRIBUTION EXPENSES

During the Reporting Period, the selling and distribution expenses of the Group amounted to RMB9,099 million and the sales expense ratio was 23.42%, representing a year-on-year decrease of 3.64 percentage points. The main reasons for the year-on-year change in the sales expense ratio were: 1. the sales expense ratio of centralized procurement products decreased year-on-year; 2. the Group continued to strengthen the control of sales expenses; 3. investment in the sales team and market development of new products and new products to be launched. Those investments increased the sales expense ratio.

R&D EXPENSES AND R&D EXPENDITURE

During the Reporting Period, the Group continued to enhance its R&D expenditure. The total R&D expenditure amounted to RMB4,975 million, representing a year-on-year increase of RMB972 million or 24.28%. In particular, the R&D expenses amounted to RMB3,834 million, representing a year-on-year increase of RMB1,039 million or 37.17%. During the Reporting Period, the R&D expenditures in the pharmaceutical manufacturing segment amounted to RMB4,486 million, representing a year-on-year increase of RMB816 million or 22.23%, accounting for 15.52% of the revenue from the pharmaceutical manufacturing segment. In particular, R&D expenses amounted to RMB3,359 million, representing a year-on-year increase of RMB891 million or 36.10%, accounting for 11.62% of the revenue from the pharmaceutical manufacturing segment, mainly due to the increase in the R&D expenditures in biopharmaceutical drugs and small molecular innovative drugs, and increase in R&D expenditures in innovation incubation platform during the Reporting Period.

SHARE OF PROFITS OF ASSOCIATES

During the Reporting Period, share of profits of associates of the Group increased to RMB2,037 million, up from RMB1,714 million, representing an increase of 18.84% as compared to last year.

PROFIT FOR THE YEAR

Due to the above factors, profit for the Reporting Period of the Group increased to RMB4,987 million from RMB3,940 million, representing an increase of 26.57% as compared to last year. Net profit margin of the Group for 2021 and 2020 was 12.84% and 13.06%, respectively.

PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT

During the Reporting Period, profit for the period attributable to owners of the parent of the Group increased to RMB4,735 million from RMB3,663 million, representing an increase of 29.28% as compared to last year.

DEBT STRUCTURE, LIQUIDITY AND SOURCES OF FUNDS

Total Debts

As at 31 December 2021, total debts of the Group increased to RMB25,299 million from RMB23,743 million as at 31 December 2020 mainly due to new borrowings during the Reporting Period. As at 31 December 2021, mid-to-long-term debts of the Group accounted for 38.33% of its total debts, representing a decrease of 0.01 percentage point as compared to 38.34% as at 31 December 2020. As at 31 December 2021, cash and bank balances rose by 3.47% to RMB10,308 million from RMB9,962 million as at 31 December 2020.

As at 31 December 2021, an equivalent amount of RMB7,382 million (31 December 2020: RMB7,981 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 2021, cash and bank balances of the Group denominated in foreign currencies amounted to RMB4,276 million (31 December 2020: RMB4,748 million).

Unit: million Currency: RMB

Cash and bank balances denominated in:	31 December 2021	31 December 2020
RMB	**6,032**	5,214
US dollars	**1,615**	2,194
Rupees	**1,907**	2,305
HK dollars	**560**	41
Others	**194**	208
Total	**10,308**	9,962

Gearing Ratio

As at 31 December 2021, the gearing ratio, calculated as total interest-bearing liabilities over total assets, was 27.13%, as compared with 28.39% as at 31 December 2020.

Interest Rate

As at 31 December 2021, total interest-bearing bank and other borrowings at a floating interest rate amounted to RMB7,968 million (31 December 2020: RMB11,039 million).

Maturity Structure of Outstanding Debts

Unit: million Currency: RMB

	31 December 2021	31 December 2020
Within 1 year	**15,602**	14,640
1 to 2 years	**5,067**	7,801
3 to 5 years	**2,073**	548
Over 5 years	**2,557**	754
Total	**25,299**	23,743

AVAILABLE FACILITIES

As at 31 December 2021, save for cash and bank balances of RMB10,308 million, the Group had unutilized banking facilities of RMB32,374 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 2021, total available banking facilities under these arrangements were approximately RMB52,127 million in aggregate, of which RMB19,753 million had been utilized. In April 2020, the Company was approved by the CSRC to apply for registration of public issuance of corporate bonds with a nominal value of not more than RMB5,000 million to professional investors. The approval is valid within 24 months from the date of approval of registration by the CSRC. In May 2020 and June 2020, the Company was notified by the NAFMII to accept the registration of super short term commercial papers and medium-term notes of the Company respectively, with the registered amount of RMB5,000 million. The registered amount is valid within 2 years from the date of signing the relevant notice.

Collateral and Pledged Assets

As at 31 December 2021, the Group had placed the following assets as collateral for bank borrowings: property, plant and equipment amounting to RMB550 million (31 December 2020: RMB188 million) and prepaid land lease payments amounting to RMB514 million (31 December 2020: RMB529 million).

As at 31 December 2021, the Group had pledged the following for bank borrowings: trade receivables amounting to RMB69 million (31 December 2020: RMB4 million) and other receivables amounting to RMB8 million (31 December 2020: RMB5 million).

As at 31 December 2021, debt investments at fair value through other comprehensive income amounting to RMB8 million (31 December 2020: nil) were pledged as bank acceptance draft deposits.

As at 31 December 2021, the Group had pledged the following for bank borrowings: 58.67% equity interest in a subsidiary Suzhou Abcarta Medical Technology Co., Ltd., (31 December 2020: Nil). Details of the collateral and pledged assets are set out in note 33 to the financial statements.

Cash Flow

The cash of the Group is mainly used for meeting capital requirements, repaying interest and principal of debts due, paying for purchases and capital expenditures, and funding growth and expansion of facilities and businesses of the Group. The table below shows the cash flow of the Group generated from (or used in) operating activities, investing activities and financing activities for 2021 and 2020.

Unit: million Currency: RMB

	2021	2020
Net cash flows from operating activities	**3,949**	2,580
Net cash flows used in investing activities	**(3,857)**	(4,706)
Net cash flows (used in)/from financing activities	**(831)**	1,467
Net decrease in cash and cash equivalents	**(740)**	(659)
Cash and cash equivalents at the beginning of the year	**7,325**	8,284
Cash and cash equivalents at the end of the year	**6,451**	7,325

Note: For the analysis on reasons for the changes in cash flows, please refer to "V. Cash Flows" of "3. 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 RMB4,734 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 2021, the Group had capital commitments contracted but not provided for amounting to RMB4,646 million and capital commitments authorized but not signed for amounting to RMB3,129 million. These were mainly committed for reconstruction and renewal of plant and machinery as well as new investees. Details of capital commitments are set out in note 45 to the financial statements.

Contingent Liabilities

As at 31 December 2021, the Group did not have any contingent liabilities.

Interest Coverage

In 2021, the interest coverage, which is calculated by EBITDA divided by financial cost was 10.72 times as compared with 8.27 times for 2020. The increase of the interest coverage was mainly due to the EBITDA of the Group in 2021 which was RMB8,825 million, increased by 21.11% as compared with that in 2020 which was RMB7,287 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

1. 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 RMB38,858 million, representing a year-on-year increase of 28.83%. Net profit attributable to shareholders of the listed company amounted to RMB4,735 million, representing a year-on-year increase of 29.28%. Net profit (after extraordinary gain or loss) attributable to shareholders of the listed company amounted to RMB3,277 million, representing a year-on-year increase of 20.60%. Net cash flow from operating activities amounted to RMB3,949 million, representing a year-on-year increase of 53.07%.

During the Reporting Period, the Group continued to enhance its R&D expenditure. The total R&D expenditure amounted to RMB4,975 million for the year, representing a year-on-year increase of 24.28%. In particular, the R&D expenses amounted to RMB3,834 million, representing a year-on-year increase of RMB1,039 million or 37.17%.

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

Unit: million Currency: RMB

	2021 revenue		2020 revenue		
	Amount	**Percentage of revenue (%)**	Amount	Percentage of revenue (%)	Year-on-year increase/ decrease of revenue (%)
By business segment					
Pharmaceutical manufacturing	**28,772**	**74.04**	21,748	72.10	32.30
Medical devices and medical diagnosis *(Note)*	**5,927**	**15.25**	5,208	17.27	13.81
Healthcare services	**4,115**	**10.59**	3,170	10.51	29.81
By geographical locations					
Chinese Mainland	**25,259**	**65.00**	21,975	73.85	14.94
Regions outside Chinese Mainland and other countries	**13,599**	**35.00**	8,188	27.15	66.08

Note: Since 2021, the income from distribution rights of Da Vinci surgical robotic systems had been transferred to Intuitive Fosun, an associated company. Excluding such effects, the revenue from the medical devices and medical diagnosis segment increased by 21.25% on the same basis.

During the Reporting Period, despite the fact that our existing products were under pressure of price reduction from centralized procurement of pharmaceutical products, the Group adhered to the implementation of the "4IN" strategy (Innovation, Internationalization, Integration and Intelligentization), and the overall business performance maintained steady growth. Proportion of revenue from new products and proportion of revenue from regions outside Chinese Mainland and other countries continued to increase, and revenue structure continued to be optimized. In 2021, the implementation of R&D and innovation accelerated. A number of innovative products such as Yi Kai Da (Ejilunsai injection) and Serplulimab injection were approved successively or entered critical clinical/approval stage. Overseas capabilities continued to be strengthened. A global business deployment with full coverage of research, production and sales with the United States as the second headquarters was formed. The integration and prioritization of the Group's business lines and organizational structure continued to advance, realizing the focus of each segment by product lines.

(1) The Group continuously promoted innovation transformation and the development and launch of innovative products and technology platforms with a continuous increase in the proportion of revenue from new products and an optimized revenue structure. During the Reporting Period, the revenue from new products and sub-new products, including but not limited to Comirnaty, Han Li Kang, Han Qu You and Su Ke Xin, accounted for more than 25% of revenue from the pharmaceutical manufacturing segment. During the Reporting Period, Comirnaty (mRNA COVID-19 vaccine) was included in the government vaccination program in Hong Kong and Macau in March 2021, and it has been administered in Taiwan region of China since September 2021. As of the end of February 2022, more than 20 million doses of the vaccine had been administered in Hong Kong, Macau and Taiwan. Yi Kai Da (Ejilunsai injection) was approved for launch in June 2021, and had become the first CAR-T cell therapy product approved for domestic launch. As of the end of February 2022, Yi Kai Da had been included in the urban customized commercial health insurance of more than 23 provinces and municipalities and over 40 commercial insurances. In addition, the Group's innovation pipeline continued to be launched. The new drug application for the first indication (treatment of highly microsatellite unstable type (MSI-H) solid tumors) of PD-1 inhibitor Serplulimab was included in the priority review process, and the new drug application for the second indication (treatment of squamous non-small cell lung cancer) has also been accepted. Products including Han Bei Tai (bevacizumab biosimilar), Yi Bao (recombinant human erythropoietin for injection) (with new indication for the treatment of chemotherapy-induced anemia in patients with non-myeloid malignancies) were approved for launch. FCN-437c and other pipeline products entered phase III clinical stage.

(2) The Group continuously strengthened its construction of full capacity for global operation and further enhanced global operation capability. The Group made great progress in market access and commercialization team building in the United States, Africa, Hong Kong and Macau. During the Reporting Period, the revenue from regions outside Chinese Mainland and other countries reached RMB13,599 million, accounting for 35.00% of the Group's total revenue. As at the end of the Reporting Period, the overseas commercial team of the Group comprised more than 1,200 employees. The Group has established marketing platforms in the United States, Africa and Europe, and achieved the direct sales of preparations to the United States market. Sisram Medical, Breas and other medical device business has covered major regions such as China, the United States and Europe, and Fosun Diagnosis' test kits for 2019-nCoV have been sold in more than ten countries. During the Reporting Period, the distribution center in Côte d'Ivoire, the first regional pharmaceutical distribution center in Africa, commenced operation. The business achieved substantial sales breakthrough in South Sudan. Gland Pharma, a subsidiary in India, received U.S. FDA marketing approval for a total of 13 generic products during the Reporting Period, and its revenue increased by 29.48% year on year (based on the financial statements of Gland Pharma using its presentation currency). In February 2022, Shanghai Henlius, a subsidiary, entered into a licensing and supply agreement with Getz Pharma, pursuant to which Shanghai Henlius would grant a license to Getz Pharma to commercialize adalimumab injection in eleven emerging markets in Europe, Asia and Africa and any other territories to be mutually agreed, thus expanding into new emerging markets to further accelerate the Group's commercialization globally.

(3) The Group sped up strategic upgrading and internal integration. In 2021, the Group further strengthened internal business rationalization and promoted focus by product lines. During the Reporting Period, the Group promoted strategic integration of its production side by sorting out the advantageous production capacity within the pharmaceutical manufacturing segment, strengthening the supply chain management and accelerating the construction of competitive production bases. The Group upgraded the pharmaceutical manufacturing business into the Innovative Medicines Division, the Established Medicines and Manufacturing & Supply Division and the Vaccines Division at the beginning of 2022, to sort out boundaries between various businesses in the form of business division and accelerate the focus by product lines.

During the Reporting Period, the Group's medical devices and medical diagnosis business continuously strengthened independent operation capability. Through business integration and sorting, the medical device segment basically formed three major businesses with medical cosmetology, respiratory health and professional medical care as the core. In particular, the core platform of medical cosmetology, Sisram Medical, while actively expanding its existing energy-based aesthetics equipment business, made layout in strategic tracks such as aesthetic dentistry, injectables and personal care, and accelerated the construction of medical cosmetology ecology. During the Reporting Period, Sisram Medical completed the merger of Foshion's assets, and entered into a sublicensing agreement with Fosun Pharmaceutical Industrial for the aesthetic indications of RT002 in Greater China (subject to approval by Sisram Medical's general meeting). During the Reporting Period, the Group completed the realignment of the medical diagnosis business and achieved initial operational integration. In line with the strategic layout of medical diagnosis business, the Group completed the acquisition of Suzhou Abcarta and made layout in pathological diagnosis to enrich presence of the diagnosis business. In addition, the Group also completed the transfer of 29.02% equity interest in Yaneng Biotech during the Reporting Period.

(4) The Group continuously promoted the digitalization and intelligent transformation and upgrading. During the Reporting Period, stage results were achieved in R&D and innovation, intelligent manufacturing, smart marketing, smart supply chain, etc. The work on empowering sustainable business development with digitalization was effectively implemented, which significantly improved its overall operational efficiency. The Group built digital service capability based on industrial internet, integrating internal and external medical resources and opening up the flow of data between scenarios, and promoting active transformation into its digitalization and intelligence model. During the Reporting Period, the Group also actively promoted the advancement of health services from the offline model into a new phase of integrated online and offline development.

Segment Performance Overview

Pharmaceutical manufacturing

Performance summary

The Group continues to pursue its innovation and internationalization strategy, with an international layout focusing on R&D, license introduction, production and operation and commercialization. Regarding R&D and license introduction, the Group makes deployment in frontier areas through globalized early stage investment, incubation and license-in projects. The Group leverages global R&D centers to form global clinical teams to accelerate overseas product launches. Regarding production and operation, the Group actively promotes the international quality certification of production lines. As of the end of the Reporting Period, the Group had more than 10 API production lines that had passed GMP certification in the U.S. FDA, EU and other mainstream regulatory markets. During the Reporting Period, the Group actively promoted the construction of preparation centers in Xuzhou, Chongqing, and API bases in Changde, Xinyi and Changshou to strengthen global supply chain capabilities and open up the integrated production system of API and formulation, thus establishing the cost side advantage for export of the preparations. In terms of commercialization, the Group establishes and strengthens the commercialization capacity of markets such as the United States, and continues to strengthen the advantages of differentiated markets such as Africa and India to help realize the global value of the products of the Group.

During the Reporting Period, the Group continued to increase its investment in R&D, and built up and formed small molecule innovative drugs, antibody drugs and cell therapy technology platforms centering on key disease areas such as tumor and immune modulation, metabolism and alimentary system and central nervous system, and actively explored cutting-edge technologies, such as RNA, oncolytic viruses, gene therapy and Protac.

During the Reporting Period, the pharmaceutical manufacturing segment of the Group generated revenue of RMB28,772 million, representing a year-on-year increase of 32.30%. The segment results amounted to RMB2,964 million, representing a year-on-year increase of 31.03%. The segment profit amounted to RMB2,630 million (excluding the gains from changes in the fair value of the shares held of BNTX). Excluding the impact of impairment of goodwill of Avanc Pharma, segment profit increased by 22.04% on the same basis. The R&D expenditures in the pharmaceutical manufacturing segment amounted to RMB4,486 million, representing a year-on-year increase of 22.23%. Total R&D expenditures in the pharmaceutical manufacturing segment accounted for 15.52% of the revenue of the pharmaceutical manufacturing segment. In particular, R&D expenses amounted to RMB3,359 million, representing a year-on-year increase of RMB891 million or 36.10%, accounting for 11.62% of the revenue from the pharmaceutical manufacturing segment.

During the Reporting Period, with You Li Tong (febuxostat tablets), Bang Zhi (pitavastatin calcium tablets) and other existing drugs being incorporated into centralized procurement with reduced sales prices, the pharmaceutical manufacturing segment facilitated revenue growth through new and sub-new products, and continued to optimize revenue structure. The increase was mainly attributable to: (1) the inclusion of Comirnaty (mRNA COVID-19 vaccine) in the government vaccination programs in Hong Kong and Macau in March 2021, and the commencement of vaccination in Taiwan region of China in September 2021, with a sale of approximately 22.00 million doses in Hong Kong, Macau and Taiwan during the Reporting Period; Han Li Kang (rituximab injection) achieved revenue of RMB1,690 million, representing a year-on-year increase of 125.33%; Han Qu You (trastuzumab injection) and Su Ke Xin (avatrombopag maleate tablets), which were launched in the second half of 2020, recorded revenue of RMB930 million and RMB426 million respectively during the Reporting Period; during the Reporting Period, revenue from new and sub-new products, including Comirnaty, Han Li Kang, Han Qu You and Su Ke Xin, accounted for more than 25% of the revenue from the pharmaceutical manufacturing segment; (2) a year-on-year increase of 29.48% in revenue of Gland Pharma during the Reporting Period (based on the financial statements of Gland Pharma using its functional currency) benefiting from the contribution from Micafungin, enoxaparin sodium injection and the launch of new products.

Important events

- Progress of Comirnaty (mRNA COVID-19 vaccine)
  During the Reporting Period, Comirnaty (mRNA COVID-19 vaccine) developed based on an mRNA technology platform, for which the Group had been authorized to carry out exclusive development and commercialization in Chinese Mainland, Hong Kong, Macau and Taiwan, was included in the government vaccination programs in Hong Kong and Macau in March 2021, and commenced vaccination in Taiwan region of China in September 2021.

  During the Reporting Period, the Group actively supported anti-pandemic efforts, supplied Comirnaty (mRNA COVID-19 vaccine) to Hong Kong, Macau and Taiwan, assisted in promoting vaccination in an orderly manner, and actively promoted improved vaccine protection for children, the elderly and those who are immunocompromised to reduce the risk of local infection and transmission, and helped Hong Kong, Macau and Taiwan establish a COVID-19 immune barrier. Hong Kong, Macau and Taiwan further approved vaccination for people aged 12 to 15 years in June 2021, June 2021 and August 2021, respectively. As of the end of February 2022, more than 20 million doses had been administered in Hong Kong, Macau and Taiwan.

- Progress of CAR-T cell therapy product Yi Kai Da (Ejilunsai injection)
  In June 2021, the CAR-T cell therapy product Yi Kai Da (奕凯達) (Ejilunsai injection) of Fosun Kite, a joint venture, became the first CAR-T cell therapy product approved for launch in China, primarily used for the treatment of adult patients with relapsed or refractory large B-cell lymphoma after prior second-line or higher systemic therapy. In August 2021, its second indication (for the treatment of adult patients with relapsed or refractory inert non-Hodgkin's lymphoma containing follicular lymphoma and marginal zone lymphoma) was also included in the breakthrough therapy drug program by the NMPA. Since the launch of Yi Kai Da, an "end-to-end" closed-loop commercialization full chain management system covering patient prescription — appointment — single blood collection packages — cold chain transport to preparation center — single blood collection packages receipt and inspection — production — product release and packaging — cold chain transport to treatment center — return transport and hospital observation had been established. To realize the whole chain quality management of individualized customized cellular drugs, Fosun Kite developed special electronic management system — identification chain and monitoring chain, to realize whole chain monitoring and management of products and ensure the high quality and safe production of products, to continuously safeguard the safety of patients and enhance the accessibility of patients. As of the end of February 2022, Kai Yi Da had been included in the urban customized commercial health insurance of more than 23 provinces and municipalities and over 40 commercial insurances, while the number of treatment centers on file had reached 75, and about 100 patients have enrolled in the treatment process.

  Yi Kai Da is a cell therapy product of Fosun Kite, a joint venture, which 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. The over 5-years follow-up (median follow-up 63.1 months) results of Yescarta's ZUMA-1 study show that the 5-year overall survival rate reaches 42.6%, and the 5-year overall survival rate of CR patients reaches 64.4%. Yescarta is the first CAR-T cell therapy which reports 5-year survival data. The results of this study offer hope for a cure for relapsed or refractory patients. The data of a domestic multi-center bridging clinical trial of Yi Kai Da shows that the best overall response rate (ORR) reaches 79.2%. The data of Yi Kai Da, Yescarta and their real world studies are highly similar in terms of safety and effectiveness, showing the significant improvement of the response rate and overall survival period of patients. In addition, in October 2021, Kite Pharma submitted a sBLA application for the use of Yescarta for second line treatment of relapsed or refractory large B-cell lymphoma indications to U.S. FDA, which has been granted priority review. The clinical value of Yescarta to second line treatment of relapsed or refractory large B-cell lymphoma provided further evidence of the position and promise of CAR-T cell therapy in the overall treatment of lymphoma.

  Moreover, the second CAR-T product (FKC889) of Fosun Kite, a joint venture, completed technology transfer during the Reporting Period. The clinical trial application for relapsed or refractory laparoscopic lymphoma was approved by the NMPA for clinical trial in March 2022.

- NDA of PD-1 inhibitor Serplulimab was accepted by the NMPA
  In April 2021, the NDA for the first indication (treatment of unresectable or metastatic microsatellite instability-high (MSI-H) solid tumors that have failed standard therapies) of the innovative PD-1 inhibitor Serplulimab injection independently developed by the Group was officially accepted by the NMPA and included in the priority review process: in September 2021, the NDA for the second indication (in combination with chemotherapy for the first-line treatment of locally advanced or metastatic squamous non-small cell lung cancer (sqNSCLC)) has also been accepted by the NMPA. In October 2021, drug substance (DS) and drug product (DP) lines for the production of Serplulimab injection successfully passed the GMP compliance on-site inspection conducted by Shanghai Medical Products Administration.

Based on the differentiated development strategy of "Combo+Global" (combination therapy + globalization), Serplulimab has been approved for clinical trials in China, the U.S., the EU and other countries/regions. As of the end of February 2022, 10 clinical studies were progressing in an orderly manner (2 of them are international multi-center clinical trials). A total of approximately 2,800 subjects were enrolled in countries/regions including China and Europe, increasing by more than 800 subjects compared with the end of 2020. In particular, in the first interim analysis of a randomized, double-blind, international multicenter phase III clinical study of use of Serplulimab injection and placebo combined with chemotherapy (carboplatin-Etoposide) in patients with previously untreated extensive stage small cell lung cancer (ES-SCLC), the combination therapy met the primary study endpoint of overall survival (OS), as assessed by the Independent Data Monitoring Committee (IDMC).

- Acquisition of Antejin to enrich vaccine product pipeline
  In October 2021, to further deepen the Group's vaccine business, Fosun Pharmaceutical Industrial, a subsidiary, acquired Antejin for a cash and in-kind consideration of its equity interest in Aleph. On the basis of the original viral vaccine platform, it introduced bacterial vaccines R&D and production technology, to further enrich the vaccine R&D pipeline.

  As of the end of the Reporting Period, the Group had built a technology platform for bacterial vaccines and viral vaccines and owned the patent for polysaccharide-protein multivalent binding. Currently, its launched product varieties include human rabies vaccine (Vero cells), trivalent influenza virus lysate vaccine, etc. There are a number of major products under development in the pipeline: quadrivalent influenza virus lysate vaccine is in Phase III clinical stage, 13-valent pneumococcal conjugate vaccine (multivalent combinations) is in Phase I clinical stage, 24-valent pneumococcal conjugate vaccine (multivalent combinations) and freeze-dried 24-valent Pneumococcal polysaccharide vaccine are in pre-clinical study phase. Based on the existing production site and equipment resources of Aleph, the Group will further enrich its vaccine R&D pipeline and accelerate the establishment of a vaccine platform-based company, with a view to becoming a leading vaccine company in China.

- Progress of license-in, license-out projects and major R&D
  Relying on the open R&D ecology and internationalization system, as well as years of domestic industry accumulation and global channel network, the Group has developed a global leading two-way licensing capability to efficiently reach emerging fields and leading technologies through channels such as overseas subsidiaries and overseas venture capital funds invested, and has completed the license introduction of a number of heavyweight varieties in recent years. At the same time, as its own R&D platform becomes more mature, the Group is also actively seeking opportunities to collaborate with leading global pharmaceutical companies to achieve rapid conversion of R&D results, cover incremental markets with the help of leading international partners and maximize product value.

  During the Reporting Period, Shanghai Henlius, a subsidiary, entered into license and cooperation with Suzhou NeuPharma Co., Ltd.* (蘇州潤新生物科技有限公司) in relation to $BRAF^{V600E}$ inhibitor (HLX208) and received exclusive rights to research, develop, produce and commercialize the product in China (including Hong Kong, Macau and Taiwan regions, China). Currently, Phase Ib/II clinical trial for the single drug or combined use of HLX208 for treatment of advanced solid tumors has been approved. In February 2022, Shanghai Henlius, a subsidiary, entered into a licensing and supply agreement with Getz Pharma, granting a license to it to exclusively commercialize HANDAYUAN (adalimumab injection) for the sales in eleven emerging markets in Asia, Africa and Europe. In addition, Fosun Pharma AG, a subsidiary, has entered into an exclusive licensing and distribution agreement with a Swiss biopharmaceutical group Helsinn Healthcare SA to distribute, market and sell Akynzeo (netupitant and palonosetron capsules), a product for the treatment of nausea and vomiting caused by tumor chemotherapy in Chinese Mainland, Hong Kong and Macau.

In addition, during the Reporting Period, a number of the Group's products were approved or entered critical clinical stage. Phase I clinical trial in the United States of BCL-2 small molecule inhibitor FCN-338 for its first indication (treatment of hematologic malignancies) completed enrollment of the first patients, and its second indication (treatment of relapsed or refractory B-cell lymphoma) was approved for clinical trial in Chinese Mainland in October 2021. Phase III clinical trial in Chinese Mainland of long-lasting botulinum toxin RT002 for the treatment of moderate to severe glabellar lines and cervical dystonia indications completed enrollment of subjects. Clinical trial of MEK1/2 selective inhibitor FCN-159 for treatment of type I neurofibroma in adults and children was approved in the United States and Spain, and its phase II clinical trial in Chinese Mainland completed enrollment of first subject in November 2021. Phase III clinical trial in Chinese Mainland of CDK4/6 selective inhibitor FCN-437c for treatment of positive hormone receptors (HR+) and human epidermal growth factor receptor 2 negative (HER2-) advanced breast cancer completed enrollment of first patient. In November 2021, Han Bei Tai (Bevacizumab Biosimilar) for treatment of metastatic colorectal cancer and advanced, metastatic or relapsed non-small cell lung cancer was approved for launch.

- Global operation layout

  Through a forward-looking global layout, the Group has preliminary formed a global operation system surrounding R&D, production and commercialization, and continued to deeply cultivate overseas markets, expediting the Group's globalization progress in an all-round way.

  The Group upgraded by establishing the global R&D center at the beginning of 2020. At present, teams including pharmacology, CMC, translational medicine, clinical research, data statistics, product registration and pharmacovigilance have been established, contributing to the orderly and efficient development of overseas clinical trials. In addition, the differentiated open R&D system and extensive experience in international cooperation support the Group to maximize the two-way value of self-developed and overseas products through overseas cooperation. For license introduction, it has successfully introduced various differentiated and advantageous products such as Su Ke Xin (avatrombopag maleate tablets), RT002 (long-acting botulinum toxin) and Akynzeo (netupitant and palonosetron capsules). For out-licensing, self-developed blockbuster products including FCN-338, Han Qu You and Serplulimab have been out-licensed. In February 2022, Henlius and Getz Pharma reached a commercial authorization cooperation for Han Da Yuan (Adalimumab), with a coverage of eleven emerging markets in Asia, Africa and Europe.

  Relying on the existing international production standards and quality system certifications of Yao Pharma, Guilin Pharma and Wanbang Pharma, the Group accelerated the overseas quality system certification of domestic production lines and laid a solid foundation for domestic preparations to go overseas. In January and March 2022, Fosun Pharmaceutical Industrial was licensed to manufacture and supply the generic versions of Molnupiravir, a COVID-19 oral drug of Merck, and Nirmatrelvir, a COVID-19 oral drug of Pfizer, and a combination of Nirmatrelvir/Ritonavir by MPP for certain mid- and low-income countries in the world. The license allows the production of the active pharmaceutical ingredient and the finished drug. As of January 2022, the total number of antimalarial products of the Group that have passed WHO-PQ certification has increased to 30, including 26 preparation products and 4 API products, rendering the Company the antimalarial drug manufacturers with the world's largest number of antimalarial products that have passed this certification. In January 2022, the new production line of Wanbang Pharma's enoxaparin sodium passed the on-site inspection of the U.S. FDA. As of the end of the Reporting Period, more than ten API production lines of the Group had passed the GMP certification of mainstream regulatory markets such as the U.S. FDA and the EU.

The Group continued to expand the international market. As at the end of the Reporting Period, the pharmaceutical manufacturing segment had formed an overseas commercialization team of approximately 1,000 employees, which mainly covered markets including the United States and Africa. In the U.S. market, the Group had launched 21 drugs under its own brands, including ziprasidone and 2 test kits for 2019-nCoV, cooperated with 5 major wholesalers/ retailers and 16 group purchasing organizations (GPOs), covered the retail chain pharmacy through 9 channel providers, and entered over 10 cooperation agreements to cover 75% integrated network distribution system (IDNs) thereby forming a multichannel and comprehensive market coverage. In Africa market, the Group has established long-term business cooperation with several countries' national public drug procurement centers and international drug procurement agency groups, and its business covered 39 countries and regions in Africa, with a team of about 800 frontline sales personnel, and a one-stop service support system providing registration, circulation, academic promotion, post-launch safety alert and other services, which laid a solid foundation for the Group's product access and marketing, including obtaining MPP licenses to manufacture and commercialize COVID-19 therapeutics around the world. During the Reporting Period, the distribution center in Cote d'Ivoire, West Africa commenced operation, further strengthening the Group's supply chain management in Africa and deepening its differentiation advantages in Africa. In addition, the Group has been assisting in the anti-malarial work globally over the past years, and as of the end of the Reporting Period, it has supplied more than 200 million pieces of artesunate for injection to the international market, saving lives of more than 48 million patients suffering from severe malaria.

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	**2021**	2020*	Year-on-year increase on the same basis (%)
Major products of anti-tumor and immune modulation *(Note 1) (Note 7)*	**3,936**	1,605	145.23
Major products of metabolism and alimentary system *(Note 2) (Note 7)*	**2,865**	3,572	(19.79)
Major products of anti-infection *(Note 3) (Note 7)*	**8,597**	3,916	119.54
Major products of central nervous system *(Note 4) (Note 7)*	**1,039**	1,382	(24.82)
Major products of cardiovascular system *(Note 5) (Note 7)*	**2,002**	2,487	(19.50)
Major products of APIs and intermediate products *(Note 6) (Note 7)*	**1,135**	1,036	9.56

Note 1: The revenue from major products of anti-tumor and immune modulation recorded a year-on-year increase of 145.23%, mainly due to the revenue growth of Han Li Kang (rituximab injection), Han Qu You (trastuzumab injection) and Su Ke Xin (avatrombopag maleate tablets).

Note 2: The revenue from major products of metabolism and alimentary system recorded a year-on-year decrease of 19.79%, mainly due to the decreased unit selling price of You Li Tong (febuxostat tablets) after the execution of centralized procurement.

Note 3: The revenue from major products of anti-infection recorded a year-on-year increase of 119.54%, mainly due to the revenue contribution from Comirnaty (mRNA COVID-19 vaccine) and the growth in sales revenue of Micafungin and Mei Shi Ling (cefminox sodium for injection) during the Reporting Period.

Note 4: The revenue from major products of central nervous system recorded a year-on-year decrease of 24.82%, mainly due to the combined effect of the decline in both sales volume and unit selling price of Ao De Jin (deproteinized calf blood injection), the decreased unit selling price of Qi Wei (quetiapine fumarate tablets) after the execution of centralized procurement, and the growth in sales revenue of Qi Cheng (escitalopram tablets) and Chang Tuo Ning (penehyclidine hydrochloride injection).

Note 5: The revenue from major products of cardiovascular system recorded a year-on-year decrease of 19.50%, which was mainly due to the decline in both sales volume and unit selling price of Bang Zhi (pitavastatin calcium tablets) after the execution of centralized procurement.

Note 6: The revenue from major products of APIs and intermediate products recorded a year-on-year increase of 9.56%, mainly due to the sales revenue growth of amino acid series.

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

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

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

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

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

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

* The data for 2020 was restated according to the basis of 2021, that is, the data for 2020 included sales revenue of new major products.

In 2021, there were 44 products or series of products in the pharmaceutical manufacturing segment of the Group that each recorded sales of over RMB100 million, an increase of 5 items compared to the previous year, and details are as follows:

Currency: RMB

Sales during the Reporting Period	Number	Formulation items or series
Over 1 billion	3	Comirnaty (mRNA COVID-19 vaccine), Han Li Kang (rituximab injection), heparin series preparations
500 million to 1 billion	3	Han Qu You (trastuzumab for injection), antimalarial series such as artesunate, Atomolan tablets (glutathione tablets)
300 million to 500 million	11	Su Ke Xin (avatrombopag maleate tablets), Chang Tuo Ning (penehyclidine hydrochloride injection), Atomolan injection (glutathione for injection), rabies vaccine (VERO cell) for human use (non-freeze dried), Micafungin, Xi Chang/Bi Li Shu (cefmetazole sodium for injection), Mei Shi Ling (cefminox sodium for injection), Bang Ting (hemocoagulase for injection), animal insulin and its preparations, Qi Wei (quetiapine fumarate tablets), Sha Duo Li Ka (potassium sodium dehydroandrographolide succinate for injection)
100 million to 300 million	27	27 products including Yi Bao (recombinant human erythropoietin for injection (CHO cells)), You Li Tong (febuxostat tablets), Bang Zhi (pitavastatin calcium tablets), antituberculosis series and daptomycin

R&D innovation

The Group upgraded by establishing the global R&D center at the beginning of 2020 to coordinate project establishment management as well as project management, prioritize the promotion of strategic products R&D, strengthen global clinical and registration capabilities, and improve R&D efficiency. At the same time, leveraging the resources of its global business development (BD) team, the Group had access to the leading products and technology platforms in the industry for commercialization. Through independent R&D, cooperative development, license introduction and in-depth incubation, the Group has built and formed small molecule innovative drugs, antibody drugs and cell therapy technology platforms centering on tumor and immune modulation, metabolism and alimentary system, central nervous system and other major therapeutic areas, and actively explored cutting-edge technologies, such as RNA, oncolytic viruses, gene therapy and Protac, to enhance its innovation layout.

As at the end of the Reporting Period, there were over 240 pipeline projects of the Group on innovative drugs, biosimilars, generic drugs and consistency evaluation items (for the details of the major pipeline drug projects, please refer to Table 1). During the Reporting Period, a total of 186 patents had been applied for in the pharmaceutical manufacturing segment of the Group, including 35 U.S. patent applications, 26 PCT applications, with 62 licensed invention patents obtained.

Table 1 — Major pipeline drug projects

Type	Number (calculated according to indications)	Remarks
Innovative drugs	64	/
Including: Small molecular innovative drugs under independent development	27	For details of the major projects under clinical study and NDA, please refer to Table 2. Comprising 3 projects under phase III clinical trial.
Biopharmaceutical innovative drugs under independent development	26	For details of the major projects under clinical study and NDA, please refer to Table 3. Comprising 2 projects under NDA and 6 projects under phase III clinical trial.
License-in innovative drugs	11	For details, please refer to Table 4. Comprising 1 project under NDA and 5 projects under phase III clinical trial.
Biosimilars under independent development	14	For details, please refer to Table 5. Comprising 4 projects approved for launch, 2 projects under NDA and 2 projects under phase III clinical trial.
Generic drugs	105	/
Including: Imported generic drugs	14	/
Consistency evaluation items	25	/

Note 1: This table does not include the pipeline drug projects of Gland Pharma.

Note 2: This table does not include Yi Kai Da (奕凯達) (Ejilunsai injection) of Fosun Kite, a joint venture. The product has been approved for launch by the NMPA for the treatment of adult patients with relapsed and refractory large B-cell lymphoma.

Table 2 — Small molecular innovative drugs under independent development

No.	Therapeutic area	Drug name/ code	Indications	R&D progress in Chinese Mainland as at the end of the Reporting Period	R&D progress in other countries as at the end of the Reporting Period
1	Anti-tumor	FCN-338	Hematological malignancies	Phase I clinical trial	Phase I clinical trial (in the U.S.)
2		FCN-338	Relapsed or refractory B- cell lymphoma	Approved for clinical trial	Phase I clinical trial (in the U.S.)
3		FCN-159	Malignant melanoma	Phase I clinical trial	—
4		FCN-159	Neurofibromatosis type 1	Phase II clinical trial	Approved for clinical trial (in the U.S. and Spain)
5		FCN-159	Low-grade gliomas	Approved for clinical trial	—
6		ORIN1001	Solid tumor	Phase I clinical trial	Phase I clinical trial (in the U.S.)
7		HLX-208	Solid tumor	Phase I clinical trial	—
8		SAF-189	Non-small cell lung cancer (ROS1)	Phase II clinical trial	Approved for clinical trial (in the U.S.)
9		SAF-189	Non-small cell lung cancer (ALK)	Phase III clinical trial	Approved for clinical trial (in the U.S.)
10		FN-1501	Advanced hepatocellular carcinoma	Approved for clinical trial	—
11		FN-1501	Leukemia and solid tumor	Phase I clinical trial	Phase I clinical trial (in the U.S. and Australia)
12		FCN-437c	Breast cancer 1L	Phase II clinical trial [Note 1]	Phase I clinical trial (in the U.S.)
13		FCN-437c	Breast cancer 2L	Phase II clinical trial [Note 1]	Phase I clinical trial (in the U.S.)
14		FCN-647	Relapsed or refractory B- cell lymphoma	Phase I clinical trial	—
15		YP01001	Advanced solid tumor	Phase I clinical trial	—
16		FH-2001	Advanced malignant solid tumor	Approved for clinical trial	—
17	Metabolism and alimentary system	FCN-207	Hyperuricemia	Phase I clinical trial	—
18		FCN-342	Gout	Phase I clinical trial	—
19	Others	ORIN1001	Idiopathic pulmonary fibrosis	—[Note 2]	Phase I clinical trial (in the U.S.)
20		ET-26	Anesthesia	Phase I clinical trial	—

Note 1: The phase III clinical trial of FCN-437c for the indication of breast cancer commenced in Chinese Mainland in January 2022.

Note 2: The clinical trial of ORIN1001 for the indication of idiopathic pulmonary fibrosis (IPF) in Chinese Mainland was approved in February 2022.

Table 3 — Biopharmaceutical innovative drugs under independent development

No.	Therapeutic area	Drug name/code	Indications	R&D progress in China 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	Serplulimab injection (recombinant humanized anti-PD-1 monoclonal antibody injection)	Microsatellite instability-high solid tumor (MSI-H)	NDA[Note 1]	Approved for clinical trial (in the U.S.)
2		Serplulimab injection (PD-1) + Chemotherapy	Squamous non-small cell lung cancer (sqNSCLC)	NDA[Note 2]	Phase III clinical trial (international multi- center)
3			Extensive-stage small cell lung cancer (ES-SCLC)	Phase III clinical trial (international multi-center)[Note 3]	
4			Locally advanced or metastatic esophageal squamous cell carcinoma (ESCC)	Phase III clinical trial	—
5			GC neoadjuvant/adjuvant	Phase III clinical trial	—
6		Serplulimab injection (PD-1) + Han Bei Tai (bevacizumab injection)	Non-squamous non-small cell lung cancer (nsNSCLC)	Phase III clinical trial	—
7			Hepatocellular carcinoma (HCC)	Phase II clinical trial	—
8			Metastatic colorectal cancer (mCRC)	Phase II/III clinical trial	—
9		Serplulimab injection (PD-1) + 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)	Approved for clinical trial	—
11		HLX22 (anti-human epidermal factor receptor-2 (HER2) humanized monoclonal antibody injection) + Han Qu You (trastuzumab injection)	Gastric cancer (GC)	Phase II clinical trial	—
12		HLX07 (recombinant anti- EGFR humanized monoclonal antibody injection)	Solid tumor (non-small cell cancer, esophageal cancer and others)	Phase Ib/II clinical trial[Note 4]	Approved for clinical trial (in the U.S.)
13		HLX20 (recombinant anti- PD-L1 fully human monoclonal antibody injection)	Solid tumor	Approved for clinical trial	Phase I clinical trial (in Australia)
14		HLX26 (recombinant anti- LAG-3 human monoclonal antibody injection)	Solid tumor and lymphoma	Phase I clinical trial	—
15		HLX35 (recombinant humanized anti-EGFR and anti-4-1BB bispecific antibody injection)	Advanced malignant solid tumor	Approved for clinical trial	Approved for clinical trial (in Australia)
16		HLX301 (recombinant humanized anti-PD-L1 and anti-TIGIT bispecific antibody injection)	Locally advanced or metastatic solid tumor	—	Approved for clinical trial (in Australia)
17		HLX23 (recombinant anti- CD73 fully humanized monoclonal antibody injection)	Advanced solid tumor	—	Approved for clinical trial (in the U.S.)
18		Recombinant HER2 humanized monoclonal antibody monomethyl auristatin F coupling agent	HER2-positive advanced breast cancer and/or advanced malignant solid tumor	Phase I clinical trial	—
19	Blood system	Recombinant human erythropoietin-HyFc fusion protein injection	Anemia	Phase Ib/II clinical trial	—
20	Others	HLX04-0 (recombinant anti- VEGF humanized monoclonal antibody injection)	Wet age-related macula degeneration (wAMD)	Phase III clinical trial	Approved for clinical trial (in the U.S., Australia and others)

Note 1: In March 2021, a phase II clinical study of serplulimab injection for the treatment of unresectable or metastatic microsatellite instability-high or deficient mismatch repair deficient solid tumor that have failed standard therapies met primary study endpoints.

Note 2: In August 2021, an international multi-center phase III clinical trial to compare serplulimab injection in combination with chemotherapy against chemotherapy as first-line therapy for locally advanced or metastatic squamous non-small cell lung cancer met the primary study endpoint.

Note 3: In December 2021, an international multi-center phase III clinical trial of Serplulimab injection or placebo in combination with chemotherapy (carboplatin-etoposide) for the treatment of extensive- stage small cell lung cancer met the primary study endpoint.

Note 4: The phase Ib/II clinical trial for such drugs in Chinese Mainland is ongoing. The phase Ia clinical trial carried out in Taiwan, China was completed.

Table 4 — License-in innovative drugs

No.	Therapeutic area	Drug name/code	Indications	R&D progress in China as at the end of the Reporting Period
1	Anti-tumor	SVN53–67/M57-KLH peptide vaccine	Primary diagnosis of glioblastoma	Clinical trial application[Note]
2	Metabolism and alimentary system	Tenapanor tablets	Irritable bowel syndrome with constipation (IBS-C)	Phase I clinical trial
3		Ferric pyrophosphate citrate solution	Iron substitutes for dialysis patients	Phase III clinical trial
4	Anti-infection	mRNA vaccine BNT162b2	Prevention of disease (COVID-19) caused by novel coronavirus (SARS-CoV-2) infection	Chinese Mainland: Phase II clinical trial Hong Kong: Authorized for emergency use Macau: Obtained advance permission as an imported vaccine Taiwan: Obtained special approval for emergency use
5		Pretomanid tablets	For the treatment of patients with extensively drug-resistant (XDR) or multidrug-resistant tuberculosis (MDR-TB) who cannot tolerate treatment/experience low efficacy of treatment	Phase I clinical trial
6	Central nervous system	Opicapone capsules	Parkinson syndrome	NDA
7	Blood system	Avatrombopag maleate Tablets	Chronic immune thrombocytopenia (ITP)	Phase III clinical trial
8		Tenapanor tablets	Hyperphosphatemia in end-stage renal disease dialysis patients (ESRD-HD)	Phase II/III clinical trial
9	Others	Fortacin spray (lidocaine prilocaine spray)	Premature ejaculation	Approved for clinical trial
10		RT002 (DaxibotulinumtoxinA for injection)	Moderate to severe glabellar lines in adults (GL)	Phase III clinical trial
11			Isolated cervical dystonia (CD)	Phase III clinical trial

Note: The clinical trial of SVN53-67/M57-KLH peptide vaccine in Chinese Mainland was approved in March 2022.

Table 5 — 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	Han Bei Tai (bevacizumab injection)	Metastatic colorectal cancer (mCRC) and advanced, metastatic or recurrent non-small cell lung cancer (NSCLC)	Approved for launch
2		HLX11 (recombinant anti-HER2 domain II humanized monoclonal antibody injection)	Breast cancer (BC)	Phase I clinical trial
3		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
4		HLX12 (recombinant anti-VEGFR2 domain II-III fully human monoclonal antibody injection)	Gastric cancer (GC), metastatic non- small cell lung cancer (NSCLC) and metastatic colorectal cancer (mCRC)	Phase I clinical trial
5		HLX13 (recombinant anti-CTLA-4 fully human monoclonal antibody injection)	Melanoma, renal cell carcinoma (RCC) and metastatic colorectal cancer (mCRC)	Approved for clinical trial
6		HLX15 (recombinant anti-CD38 fully human monoclonal antibody injection)	Multiple myeloma (MM)	Approved for clinical trial
7	Metabolism and alimentary system	Human insulin injection	Diabetes	Supplemental application approved for launch
8		Insulin glargine injection	Diabetes	NDA
9		Recombinant insulin lispro injection	Diabetes	NDA[Note]
10		Mixed protamine zinc recombinant insulin lispro injection (50R)	Diabetes	Phase III clinical trial
11		Liraglutide injection	Diabetes	Phase III clinical trial
12	Blood system	Yi Bao (recombinant human erythropoietin for injection (CHO cells))	Anemia of cancer	Supplemental application approved for launch
13	Others	Han Da Yuan (adalimumab injection)	Uveitis	Approved for launch
14		HLX14 (Recombinant anti-RANKL fully human monoclonal antibody injection)	Osteoporosis (OP)	Phase I clinical trial

Note: Recombinant insulin lispro injection was approved for launch in Chinese Mainland in January 2022.

The Group continued to promote the NDA of drugs (products) (including import registration and approval for overseas launch) and the centralized and bulk purchase of drugs. During the Reporting Period, the CAR-T cell therapy product Yi Kai Da of Fosun Kite, a joint venture of the Company, was approved for launch in Chinese Mainland, and a total of 13 generic drugs of Gland Pharma received approval from the U.S. FDA for launch (for details, please refer to Table 6 — Major drugs approved for launch during the Reporting Period). In addition, as at the end of the Reporting Period, applications were made in respect of 5 products of Gland Pharma for Import Drug Licenses (IDL).

As at the end of the Reporting Period, a total of 23 products of the Group that had passed or deemed to have passed the consistency evaluation of generic drugs were selected in six batches of centralized drug procurement ("centralized procurement") bidding (see Table 7 — Products won tenders for centralized procurement for details). For the existing products included in centralized procurement, the Group leveraged the advantages of multi-channel marketing and refined 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 smooth the impact of existing products participating in centralized procurement.

Table 6 — Major drugs approved for launch during the Reporting Period

No.	Name of drugs	Classification of registration	Indications	Remarks
1	Yi Kai Da (ejilunsai injection)[Note 1]	Therapeutic biological product	Relapsed or refractory large B-cell lymphoma after two or more lines of systemic therapy (r/r DLBCL)	The first CAR-T product approved for launch in Chinese Mainland
2	Han Bei Tai (bevacizumab injection)	Therapeutic biological product	Metastatic colorectal cancer (mCRC) and advanced, metastatic or recurrent non-small cell lung cancer (NSCLC)	
3	Han Da Yuan (adalimumab injection)	Therapeutic biological product	Anterior uveitis	
4	Comirnaty (mRNA vaccine)[Note 2]	Preventive biological product	Prevention of disease (COVID-19) caused by novel coronavirus (SARS-CoV-2) infection	Hong Kong: Authorized for emergency use Macau: Obtained advance permission as an imported vaccine Taiwan: Obtained special approval for emergency use
5	Human insulin injection	Therapeutic biological product	Diabetes	Supplemental application approved for launch
6	Yi Bao (recombinant human erythropoietin for injection (CHO cells))	Therapeutic biological product	Anemia of cancer	Supplemental application approved for launch
7	Artemether-lumefantrine dispersible tablets	WHO PQ	Malaria	
8	13 products including empagliflozin tablets, apixaban tablets and tofacitinib citrate tablets	Chemical drug	—	During the Reporting Period, a total of 13 generic drugs of the Group received approval from the NMPA for launch.
9	Tobramycin injection and other 13 products	US 505(j)[Note 3]	—	During the Reporting Period, a total of 13 generic drugs of Gland Pharma received approval from the U.S. FDA for launch.

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

Note 2: As at the end of February of 2022, Comirnaty (mRNA COVID-19 vaccine) was approved for emergency use in Hong Kong for primary vaccination for people aged 16 and over and aged 12 to 15, and for the third dose of vaccination for people aged 18 and over; obtained advance permission as an imported vaccine for primary vaccination in Macau for people aged 16 and over and aged 12 to 15; and obtained special approval for emergency use in Taiwan region of China for primary vaccination for people aged 12 to 15, and aged 16 and over, and booster doses for people aged 18 and over.

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

Table 7 — Products won tenders for centralized procurement

No.	Round selected	Name of drugs	Indications	Specifications	Charge unit	Selected price (RMB)
1	4+7 scope expansion	Amlodipine Besylate Tablets	High blood pressure	5mg*7 tablets	Box	0.49
2		Escitalopram Oxalate Tablets	Depression disorder	10mg*7 tablets	Box	27.86
3	The second round	Azithromycin Capsules	Infection	0.25g*6 capsules	Box	6.36
4		Clindamycin Hydrochloride Capsules	Infection caused by susceptible strains such as streptococci, staphylococci and anaerobic bacteria	0.15g*10 capsules	Box	1.40
5		Indapamide Tablets	Essential hypertension	2.5mg*10 tablets	Box	0.69
6		Isoniazid Tablets	Tuberculosis	0.1g*100 tablets	Box	5.02
7	The third round	Febuxostat Tablets	Long-term treatment of gout patients with hyperuricemia	40mg*16 tablets	Box	16.48
8		Quetiapine Fumarate Tablets	Manic episodes of schizophrenia and bipolar disorder	0.1g*30 tablets	Box	33.96
9		Pitavastatin Calcium Tablets	Hypercholesterolemia and familial hypercholesterolemia	2mg*14 tablets	Box	10.80
10		Ethambutol Hydrochloride Tablets	Tuberculosis	0.25g*50 tablets	Box	6.03
11		Memantine Hydrochloride Tablets	Moderate to severe Alzheimer's dementia	10mg*14 tablets	Box	15.26
12	The fourth round	Telmisartan Tablets	Essential hypertension	40mg*8 tablets/strip *4 strips/box	Box	19.17
13		Empagliflozin Tablets	Type 2 diabetes	10mg*10 tablets/strip *1 strip/box	Box	19.51
14		Calcium Dobesilate Capsules	1. Retinopathy caused by diabetes; 2. heart, brain, and kidney diseases caused by microcirculation disorders, such as glomerulosclerosis; 3. reduction of the viscosity of blood; 4. prevention of microemboli; 5. numbness, pain and itchiness of limb; 6. syndromes such as varicosity	0.5g*10 capsules/strip *3 strips/box	Box	20.40
15		Sorafenib Tosylate Tablets	Inoperable or distant metastasis of hepatocellular carcinoma	0.2g*10 tablets/strip *3 strips/box	Box	798.00
16		Duloxetine Hydrochloride Enteric Capsules	Generalized anxiety disorder and depression	20mg*60 capsules/ bottle	Bottle	58.80
17		Pyrazinamide Tablets	Tuberculosis	0.25g*100 tablets/ bottle	Bottle	19.49
18	The fifth round	Alfacalcidol Tablets	1. Improve the symptoms of patients with chronic renal insufficiency, hypoparathyroidism, vitamin D-resistant rickets and osteomalacia due to abnormal vitamin D metabolism, such as hypocalcemia, convulsions, ostealgia and bone damage. 2. Osteoporosis.	0.25μg*10 tablets/ strip*3 strips/box	Box	36.90
19		Bicalutamide	1. 50mg per day: For the treatment for advanced prostate cancer together with luteinizing hormone- releasing hormone (LHRH) analogue or surgical orchiectomy. 2. 150mg per day: For the treatment of patients with locally advanced prostate cancer without distant metastasis who are not suitable or unwilling to receive surgical castration or other medical treatments.	50mg*14 tablets/ strip/box	Box	162.73
20	The sixth round	Human insulin Injection	Diabetes	3ml: 300 unit (refill) *1 vial	Vial	29.36
21		Protamine recombinant human mixed insulin injection (30/70)	Diabetes	3ml: 300 unit (refill) *1 vial	Vial	29.80

Commercialization system

The Group continuously enhanced the construction and integration of its marketing system and has established a marketing system by product lines to match existing products and products to be marketed so as to strengthen the strategic direction of professional, branding and digital development. As at the end of the Reporting Period, the pharmaceutical manufacturing segment of the Group had a commercialization team consisting of approximately 6,000 employees, and was organized into a number of divisions based on the major product lines, covering more than 2,000 Class III hospitals, 10,000 Class I and Class II hospitals and nearly 200,000 retail pharmacies. Especially in the past two years, in order to keep pace with the launch of innovative products and the process of internationalization, the Group focused on the establishment of the innovative drug commercialization team, the new retail team for OTC and online channels, the marketing team for Africa, Europe and the U.S., and also constructed and improved a comprehensive support system covering aspects such as clinical medical, market access, medical strategic alliance and brand promotion. In addition, by virtue of the cooperation and linkage with Sinopharm, the Group also fully utilized Sinopharm's strengths in distribution network and logistics to facilitate the expansion of sales channels of the Group's pharmaceutical products.

- *Innovative drug commercialization team*
  During the Reporting Period, in hematologic tumor, breast cancer, liver disease and other areas, with a focus on Han Li Kang, Han Qu You, Su Ke Xin, Han Da Yuan, Serplulimab and other drugs, the Group continued to expand and optimize its commercialized team to strengthen market access and hospital coverage. Currently, the Group has a divisional innovative drug commercialization team of 1,700 employees in total, of which 200 employees are under the newly formed dedicated marketing team for Serplulimab. Focusing on core departments such as hematology, lymphoma, hematological tumor, breast, medical oncology, hepatobiliary surgery and intervention, the innovative drug commercialization team made deployment in the core market, the county-level market and DTP channels with the Group's multi-channels successfully covering approximately 3,000 hospitals and nearly 1,000 DTP pharmacies. The Group opened up the matrix of its existing products, serving the launch of more innovative drugs and comprehensive treatment plans in the future.

- *New retail team*
  With the continuous deepening of the medical reform and the rapid development of the Internet healthcare industry, the Group also actively created a new retail marketing system with a team of approximately 600 employees, which fully covers the traditional retail pharmacies and other retail markets as well as online integrated medical service platform. In the retail market, through years of exploration and practice in the field of chronic diseases, the Group formed a close cooperative relationship with the top 200 chain pharmacies in China, involving more than 150,000 terminals. Meanwhile, the Group integrated its chronic disease management resources accumulated throughout the years by utilizing its online channels to realize the empowerment of consumption terminals to the industry, and offered comprehensive services to consumers and patients with the empowerment of digital medical treatments, continuously improving its multi-channel and spatial marketing capabilities.

- *Overseas commercialization team*
  The Group continued to expand into the international market. As at the end of the Reporting Period, the pharmaceutical manufacturing segment had formed an overseas commercialization team of approximately 1,000 employees, which mainly covered markets including the United States and Africa. In African market, the Group had long-term business cooperation with several countries' national public drug procurement centers and international drug procurement agency groups, and its business covered 39 countries and regions in Africa, with a team having about 800 frontline sales personnel, and a one-stop service support system providing registration, circulation, academic promotion, post-launch safety alert and other services. In the U.S. market, the Group had launched 21 drugs under its own brands, including ziprasidone and 2 test kits for 2019-nCoV, cooperated with 5 major distributors and 16 group purchasing organizations (GPOs), covered the retail chain pharmacy through 9 channel providers, and entered over 10 cooperation agreements to cover 75% integrated network distribution system thereby forming a multichannel market coverage.

- *Domestic distribution channel cooperation*
  In addition, by virtue of the in-depth cooperation and linkage with Sinopharm, the Group also fully leveraged Sinopharm's strengths in distribution network and logistics and reached all levels of markets in China.

Integrated Production and Lean Operation

In order to further improve the competitiveness of the production system, strengthen operational efficiency and implement the internationalization strategy, the Group continued to streamline its competitive internal production capacity, deepened the integration of the production side, and strived to build internationally competitive production bases. The Group streamlined the competitive star production lines, sped up integration of internal production lines, and facilitated the realization of star production lines for its products. The Group expedited the construction of comprehensive production bases in Xuzhou (Wanbang Pharma) and Chongqing (Yao Pharma). The production capacity of freeze-dried powder for injection and oral preparations of Chongqing base reached a sizeable scale. The Group continued to accelerate the construction of Songjiang base of Shanghai Henlius to continuously expand biologics production capacity. In the overseas regions, Gland Pharma completed the construction and commissioning of the new freeze-dried line and hormone product line, laying a foundation for further increase in production capacity. At the same time, the Group expedited the deployment and construction of three API bases in Changde, Xinyi and Changshou, to provide security for raw materials for existing preparations and the development of innovative drugs.

During the Reporting Period, the Group continued to advance and implement Fosun Pharma Operation Excellence (FOPEX), and gradually perfected the FOPEX 2.0 system. Through analysis and study of each production stage, the Group proposed optimization measures to enhance quality and reduce cost, and enhanced product delivery capability. We continued to deepen investment in intelligent manufacturing, and guided enterprises to carry out information and intelligent transformation.

The Group placed great emphasis on quality and risk management throughout the life cycle of its products. Through gap analysis, special inspection, special training and other different forms, the Group promoted the majority-owned member enterprises to establish a quality system in line with the domestic and international requirements, and enhanced the quality risk awareness and quality management capabilities of all member enterprises. During the Reporting Period, all production lines of the domestic pharmaceutical members of the Group obtained domestic GMP certifications, and received over 60 official inspections as well as official sample tests on over 700 batches, all of which were passed smoothly.

Medical Devices and Medical Diagnosis

During the Reporting Period, the Group recorded revenue of RMB5,927 million from the medical devices and medical diagnosis segment; segment results amounted to RMB826 million; segment profit amounted to RMB2,000 million. After eliminating the one-off effects from the transfer of income from distribution rights of Da Vinci surgical robotic systems to Intuitive Fosun, an associated company and gains from the transfer of the equity interest in Yaneng Biotech, the revenue from the medical devices and medical diagnosis segment increased by 21.25% on the same basis, segment results increased by 12.60% on the same basis, and segment profit increased by 15.27% on the same basis. The increase in revenue and net profit of the segment on the same basis was mainly attributable to the strong business growth of Sisram Medical in the two major markets i.e. North America and Asia- Pacific, as well as the significant growth in the installation volume and surgical volume of "Da Vinci surgical robotic system" of Intuitive Fosun, an associated company. During the Reporting Period, 73 "Da Vinci surgical robotic systems" were installed, an increase of 18 as compared to last year.

The Group's medical device business has initially formed three major business divisions with medical cosmetology, respiratory health and professional medical care as the core.

In the field of medical cosmetology, during the Reporting Period, the revenue of Sisram Medical amounted to US$294 million and net profit amounted to US$33 million (based on the financial statements of Sisram Medical in its reporting currency), both recording significant year-on-year growth, the driving factors of which were the strong business growth in core regions such as North America and Asia-Pacific, expansion and synergy in multi-dimensional product lines and channels, upgrades of R&D capabilities and infrastructure, and active talent management strategies. During the Reporting Period, while actively expanding its existing energy-based medical aesthetics equipment business, Sisram Medical carried out business deployment and integration on strategic tracks such as aesthetic dentistry, injectables and personal care. In addition, Sisram Medical officially launched its first equity incentive plan in November 2021 to motivate the management and core employees and promote the long-term development of the company. In July 2021, Sisram Medical completed the merger of Foshion's assets, aiming to create a brand new digital dental brand and expand to the field of dental surgical instrument manufacturing by leveraging its existing global channel and resource advantages. Sisram Medical and Fosun Pharmaceutical Industrial entered into a sublicensing agreement for the aesthetic indications of long-acting botulinum toxin (RT002) in Greater China, to further enrich its injectables business pipeline and to collect strategic products for future expansion into the C-end market, and the matter was subject to shareholders' approval at the general meeting of Sisram Medical. Sisram Medical acquired the remaining 40% equity in a subsidiary Nova Medical Israel ltd., which became a wholly-owned subsidiary of Sisram Medical. Nova Medical Israel ltd. was mainly engaged in the distribution of medical and cosmetic products in Israel. In January 2022, Sisram Medical invested in the Tianjin Xingsiyi Biotechnology Co., Ltd. (天津星絲奕生物科技有限公司), which would be mainly engaged in the R&D, technical services and production of silk fibroin sodium hyaluronate composite gel and facial thread embedding products.

In the field of respiratory health, Breas continued to increase its efforts to expand into the U.S. and Chinese markets while exploring in depth in the European market. It launched the Everyware digital solution in the U.S. market for the first time, and entered into a strategic cooperation agreement with Drägerwerk AG & Co. KGaA, a world-renowned ventilator company. At the same time, it also commenced the iteration, upgrade and localized production of imported products based on the market needs in China.

In the professional medical field, the "Da Vinci surgical robot" product series sold by Intuitive Fosun, an associated company still maintained a strong growth trend, with significant growth in both installation volume and surgical volume, and the installed capacity reached 73 units in 2021. In the professional medical field, its third-party product portfolio centering on the fields of tumor diagnosis and treatment, orthopedics and neurology continued to be enriched. For our new pre-hospital first-aid business, stroke ambulance, mobile nucleic acid test laboratories, vaccination vehicles, mobile intelligent cleaning and disinfection centers and other products became the special products of the industry, ranking the top in the domestic market in terms of market share and becoming the Group's new extension into the fields of pre-hospital first-aid and public health.

In addition, the medical devices segment has built a marketing network that combines global direct sales and distribution. In particular, the marketing network of Sisram Medical covers more than 90 countries and regions in the world. The proportion of direct sales revenue exceeded 60%. In recent years, Sisram Medical has strengthened its digital channels and further diversified its global marketing strategies and methods through product launch conferences, online seminars, online customer training and other activities, while continuously expanding the global direct selling market; the sales network of Breas mainly covers Europe, the U.S., China, Japan and Australia.

During the Reporting Period, the medical diagnosis segment of the Group actively promoted strategic upgrading and internal integration in accordance with the business focus and characteristics of each base and subsidiary. The Group specified the functions and positioning of each of these bases and subsidiaries as R&D and manufacturing center, differentiated instrument R&D platform, inspection service business platform and reagent manufacturing base, acquired the controlling equity interest in Suzhou Abcarta during the Reporting Period through share transfer and capital injection and transferred part of equity interest in Yaneng Biotech which has been completed, which accelerated the integration and operation integration process of the diagnostic sector, and promoted its long-term sustainable development.

As at the end of the Reporting Period, centering on six major therapeutic areas (tumor, infection, digestion and metabolism, reproduction, cerebro-cardiovascular and central nervous system), the medical diagnosis business of the Group formed a cross-methodological product portfolio as well as a matrix R&D ideas that expanded to different disease fields under the same methodology. In our product lines, the biochemical product line deployment was complete and the reagent quality, which was in the first line camp in the domestic market, enjoyed a high market reputation. In addition, the Group created a number of special products, such as the MyCare series (monitoring kits for drug concentration in blood), NG-Test CARBA 5 (carbapenemase test kits), I-SPOT TB (Mycobacterium tuberculosis specific cellular immune response test kits), fully automatic fluorescent drug sensitivity test system, three-target nucleic acid test kits for 2019-nCoV, G-Test oligosaccharide chain "glycomics" early screening and testing for liver cancer, etc. Meanwhile, the Group actively promoted the R&D and market launch of its new products. During the Reporting Period, new products such as F-i3000 fully automated chemiluminescence instrument, F-C800 fully automated biochemical analyzer and microbial mass spectrometer (ASTA) were launched successively. The product pipeline included diagnostic products with high clinical value such as Glycotest HCC Panel (early liver cancer diagnosis and screening solution) and Molecular POCT respiratory testing.

Healthcare services

After the COVID-19 pandemic, online consultations and online drug purchases have become a new trend in residents' online medical care. During the Reporting Period, the Group promoted medical internet transformation by actively exploring online and offline integrated service models. In 2021, the Group's medical service operation and management main body "Fosun Healthcare" was renamed as "Fosun Health". Taking "medical-grade, full-scenario and one-stop health ecosystem" as the vision and "making families healthier and life better" as the mission, after such strategic upgrade, Fosun Health provides users with one-stop healthcare services based on medical-grade trust and closed-loop solutions throughout the treatment course, and becomes a "leader of active family health management".

As at the end of the Reporting Period, 5 invested medical institutions (including associated hospitals) inclusive of Foshan Chancheng Hospital, and Yinchuan Fosun Internet Hospital Co., Ltd. obtained 6 internet hospital licenses in total, and Fosun Health is actively expanding the application and cooperation in other regions. Through the construction of its internet healthcare platform, Fosun Health built core online capabilities such as online diagnosis and treatment services, pharmaceutical equipment e-commerce services and health management services, and completed the users' health profile.

Regarding online medical service, the Group takes self-operated flagship hospitals as the starting point to explore integrated online and offline service processes with offline regional hospital networks, covering the pre-consultation, consultation and post-consultation segments. During the Reporting Period, family doctors, expert online consultation, doctor and patient livestream, post-consultation health management and other professional services were launched; the Group took advantageous specialized disease areas as the starting point and centered around users to formulate an internet medical platform, as well as a doctor and product ecosystem, which gradually achieved proactive management of specialized disease throughout the treatment course and closed-loop solutions for the medical process. As for pharmacy e-commerce services, empowered with professional service ability, the Group gradually covers the common drug purchasing scenario pipeline, including DTP pharmacy, offline pharmacy chain, online shop and others to improve the accessibility of products. As for health management service, the Group gradually realizes proactive health management though system reach and medical intervention based on a constantly improving health profile; at the same time, the Group cooperates with a wide range of offline vaccination points and testing institutions, actively exploring shifting from "medical treatment" to "preventative treatment", providing users with one-stop health services based on medical-level trust.

To effectively support the commencement of the above services, the Group places great importance on infrastructure development, including three aspects like doctor resources system, scientific innovation technology and featured supply chain. Doctor resources system comprises of internal medical teams, external partnered specialty physicians, doctor groups and others. With the professional and efficient operating mechanism, cooperation between doctors, the matches of doctors with products and services, proactive surveillance in service qualities as well as growth system have been formed. With scientific innovation technology, the Group focuses on resolving the critical pain points of B-end customers and C-end patients and creates a unique digitalized competitive advantage. The featured supply chain is designed to support the users' one-stop experience by sourcing specialty categories around the full lifecycle demands of users and matching them with efficient fulfillment and professional customer service capabilities.

During the Reporting Period, the revenue from healthcare services segment amounted to RMB4,115 million, representing a year-on-year increase of 29.81%. Affected by increased investment in digital team and online operation, the initial loss of newly opened hospitals and other factors, segment results during the Reporting Period amounted to RMB-367 million, representing a year-on-year decrease of RMB562 million. Segment profit amounted to RMB-433 million, representing a year-on-year decrease of RMB542 million.

During the Reporting Period, through continuous promotion of specialties layout at medical institutions, as well as internal integration and external expansion, the Group established a regional medical model and a health service industrial chain. The Group completed a strategic deployment of healthcare services in specialty and general hospitals focusing on regional focus such as the Greater Bay Area and Yangtze River Delta. During the Reporting Period, the Group entered into an agreement to acquire Guangzhou Xinshi Hospital and completed the equity transfer in January 2022. As at the end of February 2022, the medical service institutions controlled by the Group that had been put into operation mainly included Foshan Chancheng Hospital* (佛山禪醫), Shenzhen Hengsheng Hospital* (深圳恒生醫院), Guangzhou Xinshi Hospital, Suqian Zhongwu Hospital (Suqian Cancer Hospital), Anhui Jimin Cancer Hospital* (安微濟民腫瘤醫院), Wuhan Jihe Hospital, Chongqing Shinrong Plastic Surgery Hospital and Xuzhou Xingchen Women's and Children's Hospital, with a total of 5,532 authorized beds available for the public. With respect to operational management of healthcare services, the management systems of medical, nursing, technical and other medical professions and functions were continuously improved and optimized, thereby constantly strengthening the segment's asset management efficiency. The Group had also established a multi-level quality control and compliance system, covering medical quality control system, internet medical quality control system and drug supply chain quality control system.

The Group has been adhering to the guideline of "focusing on disciplined construction, creating quality medical services" throughout the years. By integrating the specialty resources of its hospitals, the Group has established 12 major specialty alliances, including obstetrics and gynecology, cardiology, rehabilitation and orthopedics, to promote the vertical connection between the specialties of member hospitals, and form various work mechanisms such as business discussion, entrusted department management and co-construction. At the same time, it actively explores the establishment of a doctor partner platform. Through the upgrade of the organisation structure of doctors group, the team of leading experts in various specialties has been introduced to improve the level of discipline, and to empower internal and external discipline construction. Currently, urology, orthopedics, nephrology, wound, rehabilitation and other specialist doctor groups have made significant progress. Several hospitals it controlled have completed the achievement of key specialties at a municipal level and provincial level in their regions, while the applications for projects from the National Natural Science Foundation of China by certain disciplines were completed. As at the end of February 2022, the groundwork for the business roadmap has been laid, which involves 8 Class II hospitals led and supported by 6 Class III hospitals in terms of business and discipline development, all playing an important role in the strategic planning of healthcare services in key regions such as the Pearl River Delta and the Yangtze River Delta, as well as the business expansion in developed coastal cities and regions. Meanwhile, the Group gradually connects specialist resources with the Internet medical platform, and provides high-quality medical services for more users through specialist centers.

Pharmaceutical Distribution and Retail

In 2021, Sinopharm recorded revenue of RMB521.051 billion, net profit of RMB13.065 billion and net profit attributable to shareholders of the parent of RMB7.759 billion, represented an increase of 14.16%, 8.00% and 7.95% as compared to last year, respectively.

In respect of the pharmaceutical distribution sector, Sinopharm firmly grasped the industry transformation trend brought about by the volume-based procurement and continued to lead the industry growth. By continuing to tap the scale advantage of its distribution network, Sinopharm has won the market share of products related to volume-based procurement and promoted the transformation of pharmaceutical distribution to nationalized and intensive services. In 2021, Sinopharm recorded a revenue of RMB389.955 billion from pharmaceutical distribution business, representing a year-on-year growth of 11.96%.

In respect of medical devices, Sinopharm actively responded to industry changes and thus realized rapid business development while securing growth and preventing risks. In 2021, the revenue from medical device of Sinopharm was RMB108.129 billion, representing a year-on-year growth of 20.95%.

In respect of retail pharmacy, Sinopharm actively deployed on-line businesses and on-line hospitals by leveraging its strong network of wholesale and retail and variety advantages to actively explore business transformation, and to continuously promote the high growth of retail pharmacy segment. As at the end of the Report Period, the total number of retail stores of Sinopharm reached 10,259. In 2021, Sinopharm's revenue from retail pharmacy business totalled RMB29.059 billion, representing a year-on-year increase of 20.26%.

Financing

During the Reporting Period, the Group continued to optimize its debt structure and reasonably controlled the debt scale and comprehensive financing cost. In 2021, the Company successfully issued a tranche of corporate bonds and three tranches of super short-term commercial papers, and completed the first resale of RMB423 million corporate bonds. It actively deepened its good cooperation with domestic and foreign financial institutions, and obtained credit support of US$200 million from the International Finance Corporation (IFC) and US$200 million from Asian Infrastructure Investment Bank (AIIB), respectively. The Company took the variety of its financing channels to a higher level, and its corporate image in the domestic and foreign capital markets was enhanced.

Digital Transformation, Cost Reduction and Efficiency Enhancement

During the Reporting Period, the Group continued to optimize management measures, actively promoted the digital transformation and upgrade of the enterprise, utilized digital means to empower the substantial growth of enterprises, sped up the promotion of digital technology innovation and centralized procurement, continued to promote the improvement of operational efficiency, and further enhanced the core corporate competitiveness.

In respect of corporate digital transformation and upgrade as well as digital technology innovation, guided by the "4IN" strategy, the Group's digital transformation and development strategic plan has been upgraded in a rolling manner. The Group has proposed the goal to build a pharmaceutical intelligent enterprise with innovative R&D, intelligent manufacturing, smart marketing, and smart supply chain as the starting point. During the Reporting Period, in respect of innovative R&D, the Group built a R&D digital platform for collaborative innovation with drug R&D project management as the core, and further improved the efficiency of R&D management. In respect of intelligent manufacturing, the Group completed the smart factory standard guidelines and a star-rated factory evaluation system in order to provide digital construction guidance for production bases. In respect of smart marketing, the Group completed the construction of the middle-end platform of smart marketing business, which solved the pain points of the pharmaceutical marketing business with the "result management" functional module, improved the effectiveness of pharmaceutical sales with "process management", and enhanced pharmaceutical operations and decision- making capability with "data insight". In respect of smart supply chain, an ERP system that fully complied with GSP standards was built, which had passed the on-site inspection by the NMPA. The Group continued to push forward the "Forest Plan" project, and enhanced the corporate resources plan and the ERP digital management system. During the Reporting Period, the Group built the groupwide big data middle-end center, realigned and improved the management BI report system of the Group, completed the digital and structured management system of multi-dimensional business data such as budget, contemporaneous, actual and forecast data, and realized the standardization and modeling of core KPI indicators such as finance, R&D, production and operation, quality, marketing, and human resources, and visualization of indicator results, so as to drive business operation management and intelligent decision-making with data, and contributed to the realization of a smart enterprise.

During the Reporting Period, the Group further improved its procurement management practices and procurement system and issued the "Code of Conduct for Suppliers" to strengthen the construction of a supply chain compliant ecology. In terms of organization building, the Group continued to bring in R&D procurement talents to further enhance the professionalism of its procurement lines. The Group also actively promoted infrastructure experts' participation in the evaluation in major infrastructure projects within the system and facilitated the exchange and integration of talents between organizations. The Group further expanded the coverage of centralized procurement categories by initiating cross-business segment and intra-segment centralized procurement projects, fully utilized the platform effect to reduce costs and increase efficiency, and promoted procurement standardization and supply channel optimization. In addition, during the Reporting Period, the Group also commenced the upgrade project of its digital procurement business platform (onelinkplus) and the construction of the procurement BI system to realize the closed loop, transparency, visibility, comparability and traceability of procurement business, enhance the collaboration and efficiency of procurement business, and support the implementation of cost reduction and efficiency enhancement.

Regarding procurement risk control, the Group has adhered to the concept of "transparent procurement". The Group monitored the key nodes of the tender process through further iterations of the risk control system, focusing on bid-rigging and other irregularities. The Group eliminated risks in advance through investigation, and adopted blacklist management for malicious bid-rigging units and made timely disclosure to optimise the Group's procurement environment.

2. 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:

A. 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, and promoted the development and practice of innovative technologies and products through the integrated management of the innovative R&D projects by the global R&D center. As at the end of the Reporting Period, the Group had more than 2,800 R&D personnel, of which nearly 1,500 persons obtained a master's degree or above. During the Reporting Period, the R&D expenditure of the Group amounted to RMB4,975 million, accounting for 12.75% of the Group's revenue.

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

C. Advantages in commercialization. The Group continuously enhanced the construction and integration of marketing system, and had formed a branch marketing system that supported existing products and products to be launched to the market, in order to consolidate the strategic direction of professionalism, branding and digitalization. As at the end of the Reporting Period, the Group had a commercialization team of over 6,900 employees, including about 1,700 employees in the innovative drug commercialization team, nearly 600 employees in the new retail team for OTC drugs and online channels, and over 1,200 in the overseas professional marketing team for Africa, Europe and the U.S., and had built up and perfected a comprehensive support system in medical affairs, market access, medical strategic alliance, brand promotion, etc.

3. Major Operations in the Reporting Period

A. Analysis on Principal Operations

I. 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
Cost of sales	20,228	13,734	47.28	*Note 1, Note 9*
R&D expenses	3,834	2,795	37.17	*Note 2*
Finance costs	823	881	(6.58)	*Note 3*
Other gains	3,322	1,278	159.94	*Note 4*
Other expenses	1,164	252	361.90	*Note 5*
Income tax expense	1,066	738	44.44	*Note 6*
Net cash flow generated from operating activities	3,949	2,580	53.07	*Note 7*
Net cash flow generated from financing activities	(831)	1,467	(156.65)	*Note 8*

Note 1: Mainly due to the increase in revenue and changes in product structure during the Reporting Period.

Note 2: Mainly due to the increase in the R&D expenditures in biopharmaceutical drugs and small molecular innovative drugs, and the increase in R&D expenditures in innovation incubation platform during the Reporting Period.

Note 3: Mainly due to the decrease in financing costs during the Reporting Period.

Note 4: Mainly due to the combined effect of the followings: (1) the gain from the transfer of 29.02% equity interest in Yaneng Biotech and the investment gain generated from the remaining equity interest measured at fair value; (2) the share price of BNTX held by the Company increased while the share price of BFLY decreased during the Reporting Period and other multiple factors.

Note 5: Mainly due to the provision for long-term equity investment and impairment of goodwill during the Reporting Period.

Note 6: Mainly due to the increase in taxable profits during the Reporting Period.

Note 7: Mainly due to (1) the cash flow contribution from the growth of revenue and recurring income; (2) the impact of the timing difference in settlement of Comirnaty (mRNA COVID-19 vaccine) during the Reporting Period.

Note 8: Mainly due to the increase in the net outflow from financing activities for the acquisition of minority equity interests in subsidiaries such as Chemo Biopharma during the Reporting Period.

Note 9: Cost of sales for 2020 has been adjusted based on the restated figures.

II. Analysis of Revenue and Cost of Sales

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

Unit: million Currency: RMB

Principal Operations by Segments

By segments	Revenue	Cost of sales	Gross profit margin (%)	Year-on-year change in revenue (%)	Year-on-year change in cost of sales (%)	Year-on-year change in gross margin
Pharmaceutical manufacturing[(Note 1)]	28,772	13,840	51.90	32.30	59.70	decrease of 8.25 percentage points
Medical devices and medical diagnosis[(Note 2)]	5,927	3,042	48.68	13.81	20.62	decrease of 2.89 percentage points
Healthcare services	4,115	3,333	19.00	29.81	32.21	decrease of 1.47 percentage points

Principal Operations by Products

By products	Revenue	Cost of sales	Gross profit margin (%)	Year-on-year change in revenue [(Note 9)] (%)	Year-on-year change in cost of sales (%)	Year-on-year change in gross margin
Major products of anti-tumor and immune modulation[(Note 3)]	3,936	828	78.96	145.23	152.44	decrease of 0.60 percentage point
Major products of metabolism and alimentary system [(Note 4)]	2,865	595	79.23	(19.79)	12.05	decrease of 5.90 percentage points
Major products of anti-infection[(Note 5)]	8,597	4,936	42.58	119.54	242.07	decrease of 20.57 percentage points
Major products of central nervous system	1,039	88	91.53	(24.82)	(36.69)	increase of 1.59 percentage points
Major products of cardiovascular system[(Note 6)]	2,002	1,256	37.26	(19.50)	15.55	decrease of 19.03 percentage points
Major products of APIs and intermediate products[(Note 7)]	1,135	844	25.64	9.56	11.64	decrease of 1.39 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	25,259	11,894	52.91	14.94	28.63	decrease of 5.01 percentage points
Regions outside Chinese Mainland and other countries[(Note 8)]	13,599	8,334	38.72	66.08	85.74	decrease of 6.48 percentage points

Note 1: The decline in the gross profit margin of the pharmaceutical manufacturing business was mainly due to: (1) The gross profit margin of existing products such as You Li Tong (febuxostat tablets) and Bang Zhi (pitavastatin calcium tablets) decreased after being selected for centralized procurement; (2) The effect of Comirnaty (mRNA COVID-19 vaccine); the cost of sales of Comirnaty (mRNA COVID-19 vaccine) includes ① procurement costs; ② share of gross profit payable to BioNTech according to the License Contract; ③ the corresponding sales milestone. Given the above factors, the gross profit margin of Comirnaty (mRNA COVID-19 vaccine) was lower than the overall gross profit margin of other products during the Reporting Period; (3) Some core products were affected by the increase in prices of main raw and auxiliary materials, and thus the unit costs rose and the gross profit margin fell.

Note 2: Since 2021, the income from distribution rights of "Da Vinci surgical robotic systems" had been transferred to Intuitive Fosun, an associated company. Excluding the effects of such business, the gross profit margin decreased by 0.20 percentage points.

Note 3: The decrease in gross profit margin of the major products of anti-tumor and immune modulation as compared with the same period last year was mainly due to the decreased unit selling price of Su Ke Xin (Avatrombopag Maleate Tablet) after the National Reimbursement Drug List negotiation.

Note 4: The decrease in gross profit margin of the major products of metabolism and alimentary system as compared with the same period last year was mainly due to the decreased unit selling price of You Li Tong (febuxostat tablets) after the centralized procurement.

Note 5: The decrease in gross profit margin of the major products of anti-infection as compared with the same period last year was mainly due to the impact of Comirnaty (mRNA COVID-19 vaccine).

Note 6: The decrease in gross profit margin of the major products of cardiovascular system as compared with the same period last year was mainly due to the increase in the price of major raw materials of some products, and thus the cost of sales rose and the gross profit margin fell.

Note 7: The decrease in gross profit margin of the major products of APIs and intermediate products as compared with the same period last year was mainly due to the changes of product structure in such therapeutic area.

Note 8: The increase in revenue and cost in regions and countries outside Chinese Mainland was mainly due to the revenue contribution from Comirnaty (mRNA COVID-19 vaccine) in Hong Kong, Macau and Taiwan and the significant sales growth of subsidiaries overseas, namely Gland Pharma and Sisram Medical.

Note 9: For the reasons for the changes in revenue by product, please refer to the aforementioned table of revenue from major products of the Group in the major therapeutic areas.

Note 10: Cost of sales in 2020 has been adjusted based on the restatement.

(2) Analysis of Production and Sales Volume

Major products	Unit	Production volume	Sales volume	Inventory	Year-on-year change in production volume (%)	Year-on-year change in sales volume (%)	Year-on-year change in inventory (%)
Comirnaty (mRNA COVID-19 vaccine) (0.3mg/dose)	'0,000 doses	N/A	2,206	0	N/A	N/A	N/A
Han Li Kang (rituximab Injection) (converted as 100mg/vial)	'0,000 vials	148	143	24	78	120	26
Han Qu You (trastuzumab Injection) (converted as 150mg/vial)	'0,000 vials	85	75	14	332	397	216

Note: The top five products are: Comirnaty (mRNA COVID-19 vaccine), Han Li Kang (rituximab Injection), heparin series preparations, Han Qu You (trastuzumab Injection) and antimalarial series such as artesunate. In particular, the sales of Comirnaty (mRNA COVID-19 vaccine) commenced in 2021, so the year-on-year change comparisons are not applicable. In addition, heparin series preparations and antimalarial series such as artesunate involve products in multiple dosage forms, and it is impossible to convert products of different dosage forms into corresponding production and sales volume according to the same standard.

(3) Analysis of Cost

Unit: million Currency: RMB

		By Segments					
By Segments	Cost	Amount for the period	Percentage of the total cost for the period (%)	Amount for the corresponding period of last year	Percentage of the total cost for the corresponding period of last year (%)	Ratio of change for the period as compared with the corresponding period of last year (%)
Pharmaceutical manufacturing[(Note 1)]	Cost of products	13,840	68.42	8,666	63.10	59.70
Medical devices and medical diagnosis	Cost of products and goods	3,042	15.04	2,522	18.36	20.62
Healthcare services[(Note 2)]	Cost of services	3,333	16.48	2,521	18.36	32.21

Unit: million Currency: RMB

		By Products				
By Products	**Cost**	**Amount for the period**	**Percentage of the total cost for the period** (%)	**Amount for the corresponding period of last year**[Note 6]	**Percentage of the total cost for the corresponding period of last year** (%)	**Ratio of change for the period as compared with the corresponding period of last year** (%)
Major products of anti-tumor and immune modulation[Note 3]	Cost of products	828	5.98	328	3.78	152.44
Major products of metabolism and alimentary system	Cost of products	595	4.30	531	6.13	12.05
Major products of anti-infection[Note 4]	Cost of products	4,936	35.66	1,443	16.65	242.07
Major products of central nervous system[Note 5]	Cost of products	88	0.64	139	1.60	–36.69
Major products of cardiovascular system	Cost of products	1,256	9.08	1,087	12.54	15.55
Major products of APIs and intermediate products	Cost of products	844	6.10	756	8.72	11.64

Note 1: The increase in the costs of the pharmaceutical manufacturing segment was mainly due to the increased sales and changes in product structure during the Reporting Period.

Note 2: The increase in the costs of the healthcare services segment was mainly due to the increase in revenue from healthcare services during the Reporting Period.

Note 3: The increase in the cost of major products of anti-tumor and immune modulation was mainly due to the substantial increase in the sales of Han Li Kang (rituximab Injection) and the contribution from the continuously increasing sales quantities of Han Qu You (trastuzumab Injection) and Su Ke Xin (avatrombopag maleate tablets), the newly launched major products in 2020.

Note 4: The increase in the cost of major products of anti-infection was mainly due to the sales contribution of Comirnaty (mRNA COVID-19 vaccine).

Note 5: The decrease in the cost of major products of central nervous system was mainly due to the combined effect of the decreased sales of Ao De Jin (deproteinized calf blood injection), the decreased sales of Qi Wei (quetiapine fumarate tablets) after the execution of centralized procurement, and the growth in sales of Qi Cheng (escitalopram tablets) and Chang Tuo Ning (penehyclidine hydrochloride injection).

Note 6: Cost of sales in 2020 has been adjusted based on the restatement.

(4) Major Customers and Suppliers

Sales to the top 5 customers of the Group amounted to RMB8,591 million, representing 22.11% of the total sales for the year.

Purchases from the top 5 suppliers of the Group amounted to RMB2,819 million, representing 16.08% of the total purchases for the year.

III. Expenses

During the Reporting Period, the selling and distribution expenses of the Group amounted to RMB9,099 million and the sales expense ratio was 23.42%, representing a year-on-year decrease of 3.64 percentage points. The main reasons for the year-on-year change in the sales expense ratio were: 1. the sales expense ratio of centralized procurement products decreased year-on-year; 2. the Group continued to strengthen the control of sales expenses; 3. investment in the sales team and market development of new products and new products to be launched. Those investments increased the sales expense ratio.

During the Reporting Period, the R&D expenses of the Group amounted to RMB3,834 million, representing a year-on-year increase of 37.17%. The change in R&D expenses was mainly due to the increase in the R&D expenditures in biopharmaceutical drugs and small molecular innovative drugs, and the increase in R&D expenditures in innovation incubation platform during the Reporting Period.

During the Reporting Period, the finance expenses of the Group amounted to RMB823 million, representing a year-on-year decrease of 6.58%. The change in finance expenses was mainly due to the decrease in financing costs during the Reporting Period.

IV. 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 is 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	3,834
R&D expenditures capitalized for the year	1,141
Total R&D expenditures	4,975
Total R&D expenditures as a percentage of revenue (%)	12.75
R&D expenditures in the pharmaceutical manufacturing segment as a percentage of the revenue from the pharmaceutical manufacturing segment (%)	15.52
The number of R&D staff in the Group	2,849
The number of R&D staff as a percentage of the total number of staff in the Group (%)	7.85
Percentage of R&D expenditures capitalized (%)	22.93

Descriptions

During the Reporting Period, the R&D expenditures in the pharmaceutical manufacturing segment amounted to RMB4,486 million, representing a year-on-year increase of 22.23%, accounting for 15.52% of the revenue from the pharmaceutical manufacturing segment. In particular, R&D expenses amounted to RMB3,359 million, representing a year-on-year increase of RMB891 million or 36.10%, accounting for 11.62% of the revenue from the pharmaceutical manufacturing segment. The R&D expenditures increased mainly due to the increase in the R&D expenditures in biopharmaceutical drugs and small molecular innovative drugs, and increase in R&D expenditures in innovation incubation platform during the Reporting Period.

V. 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	3,949	2,580	53.07	Due to 1) the cash flow contribution from the growth of revenue and recurring income; 2) the impact of the timing difference in settlement of Comirnaty (mRNA COVID-19 vaccine) during the Reporting Period
Net cash flow generated from investment activities	(3,857)	(4,706)	18.04	Due to the combined effect of investment expenses such as the acquisition of Antejin and the recovery of investments such as the disposal of part of the equity interests in Yaneng Biotech and WeDoctor during the Reporting Period
Net cash flow generated from financing activities	(831)	1,467	156.65	Due to the increase in the net outflow from financing activities for the acquisition of minority equity interests in subsidiaries such as Chemo Biopharma during the Reporting Period

B. Assets and liabilities analysis

As at 31 December 2021, the gearing ratio, calculated as total interest-bearing bank and other borrowings over total assets, was 27.13%, as compared with 28.39% as at 31 December 2020.

Assets and liabilities

Unit: million Currency: RMB

Items	Amount as at the end of the period	Percentage of the amount as at the end of the period to the total asset (%)	Amount as at the end of last period	Percentage of the amount as at the end of last period to the total assets (%)	Ratio of change for the amount as at the end of the period as compared with the amount as at the end of last period (%)	Reasons
Equity investments designated at fair value through other comprehensive income	30	0.03	1	—	2,900	Mainly due to the investment in financial assets during the Reporting Period
Trade and bills receivables — non-current	77	0.08	—	—	N/A	Mainly due to installment sales receivables from subsidiaries
Other non-current assets	2,014	2.16	1,084	1.30	85.79	Mainly due to the increase in the project payments for the inpatient building and nursing home of Foshan Chancheng Hospital and the increase in prepayments for equity acquisition and purchase of long-term assets during the Reporting Period
Prepayments, other receivables and other assets	3,466	3.72	2,554	3.05	35.71	Mainly due to the increase in receivables for equity transfer during the Reporting Period
Financial assets at fair value through profit or loss — current	4,241	4.55	1,970	2.36	115.28	Mainly due to factors such as the price rise of the shares of BNTX held during the Reporting Period
Debt investments at fair value through other comprehensive income	428	0.46	629	0.75	(31.96)	Mainly due to the decrease in bills received during the Reporting Period

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
Assets of a disposal group classified as held for sale	464	0.50	—	—	N/A	Mainly due to the reclassification of certain equity interests in Tianjin Pharmaceutical Group Co., Ltd. to assets held for sale during the Reporting Period
Trade and bills payables	5,064	5.43	3,289	3.93	53.97	Mainly due to the increase in the procurement cost payable during the Reporting Period
Tax payable	474	0.51	325	0.39	45.85	Mainly due to the increase in taxable profits during the Reporting Period
Contract liabilities — non-current	239	0.26	122	0.15	95.90	Mainly due to the increase in the amount of contract advances received during the Reporting Period, and the corresponding revenue recognition points expected to exceed one year
Other long-term liabilities	2,029	2.18	269	0.32	654.28	Mainly due to the share redemption option granted to the non-controlling shareholder of subsidiaries during the Reporting Period

C. Analysis on investments

Major Subsidiaries and Investees

(1) Operation and Results of Subsidiaries

① *Operation and Results of Major Subsidiaries*

Unit: million Currency: RMB

Name of subsidiary	Major business	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Yao Pharma	Pharmaceutical R&D and manufacturing	197	6,785	4,735	5,698	874	809
Wanbang Pharma	Pharmaceutical R&D and manufacturing	452	5,557	2,994	7,002	563	501
Gland Pharma	Pharmaceutical R&D and manufacturing	N/A	8,447	7,412	3,658	1,174	879
Fosun Industrial[(Note 1)]	Investment and products sales	N/A	28,297	16,258	13,515	N/A	2,947

Note 1: The data for Fosun Industrial is prepared in accordance with HKFRS, and the scope of consolidation includes Gland Pharma and Sisram Medical.

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

② *Status of Other Major Subsidiaries*

Unit: million Currency: RMB

Name of subsidiary	Major business	Registered capital	Total assets	Net assets	Revenue	Net profit
Shanghai Henlius[(Note 1)]	Pharmaceutical R&D and manufacturing	543	7,173	2,297	1,682	(984)
Guilin Pharma	Pharmaceutical R&D and manufacturing	285	1,580	1,066	1,044	304
Foshan Chancheng Hospital[(Note 2)]	Healthcare services	50	3,151	1,953	2,008	158
Sisram Medical[(Note 3)]	Medical devices R&D and manufacturing	N/A	3,380	2,573	1,899	210

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

Note 2: The data for Foshan Chancheng Hospital include appreciation of asset evaluation and amortization of appreciation of asset evaluation.

Note 3: 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 the company	Principal activities	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Sinopharm Industrial	Pharmaceutical investment	100	335,355	99,970	521,051	16,891	13,059

(3) Acquisition and Disposal of Subsidiaries for the Year (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 in 2021*

The acquisitions of the subsidiaries in 2021 have had the following effect on the Group's production and results:

Unit: million Currency: RMB

Name of subsidiary	Acquired through	Net assets (as at 31 December 2021)	Net profit (from date of acquisition/ merger up to 31 December 2021)	Date of acquisition/ merger
Shenzhen Xinsheng	Equity transfer	3	—	29 March 2021
Xingyuanda	Equity transfer	31	1	15 April 2021
Suzhou Abcarta	Equity transfer	238	(6)	10 November 2021
Antejin	Equity transfer	4,122	(16)	28 October 2021

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

② *Disposal of Subsidiaries in 2021:*

The disposal of the subsidiaries in 2021 have had the following effect on the Group's production and results:

Unit: million Currency: RMB

Name of subsidiary	Disposed through	Net assets as at date of disposal	Net profit from beginning of Reporting Period to date of disposal	Date of disposal
Research Institute Pharmaceutical	Deregistration	—	—	1 February 2021
Kelin Huodai	Deregistration	—	—	26 March 2021
Fareast Casings	Equity transfer	7	1	26 April 2021
Shanghai Lilin	Deregistration	—	—	26 April 2021
Shanghai Boyiya	Deregistration	—	—	27 April 2021
Foshan Chanxi	Equity transfer	97	(1)	31 May 2021
Taizhou Zhedong Medical Care	Equity transfer	703	1	30 June 2021
Pharmaceutical Institute Research	Deregistration	—	4	22 October 2021
Yaneng Biotech	Equity transfer	468	269	23 December 2021

Note: The data for Fareast Casings and Yaneng Biotech included appreciation of asset evaluation and amortization of appreciation of asset evaluation.

D. Employees and Remuneration Policies

As at the end of the Reporting Period, the Group had a total of 36,279 employees. The employee's remuneration policies of the Group are formulated on the basis of the results, work experience and salary level prevailing in the market.

4. The Board's Discussion and Analysis on Future Development of the Group

A. Industry Landscape and Trends

In 2022, the pharmaceutical and medical industry in China remains at an important stage of development and transformation, and the COVID-19 outbreak persisted, presenting both tough challenges and opportunities for innovation and internationalization. In terms of market demand and payment, in view of the accelerated population aging and increased burden caused by disease, as well as the growing awareness in health among residents, the government emphasizes health sector and further increases investment in public health and medical health so as to encourage innovative R&D and development of new treatment technologies from a policy level. The pharmaceutical and medical industry in China will continue to maintain growth outpacing GDP growth. With the population aging and the development of treatment technology, the spectrum of disease also changes. The prevalence and diagnosis rate of tumors and immune system diseases continue to rise. The population of patients with chronic diseases continues to expand, and there are still an enormous amount of clinical treatment needs to be met. These drivers will encourage local companies to firmly follow the path of innovation and transformation, and provide patients with new treatments with higher efficacy and affordability. In terms of industry policies, enterprises are led and encouraged by the State to undergo upgrade and structural optimization in terms of strategic emerging industries, in order to achieve the overall transformation of the local pharmaceutical industry while aiming at high-value innovations and promoting high quality development. In terms of payment policies, the "National Medical Insurance Drug Catalogue (國家醫保藥品目錄)" is further enhanced to include new products into the catalogue at a faster pace, which reflects the policy orientation of innovation accessibility and affordability. Normalized and institutionalized implementation of centralized procurement of drugs in quantity is undertaken and the scope of centralized procurement of high-value medical supplies in quantity is continuously expanded, which further makes scope for medical insurance payment and accelerates the medical insurance coverage of innovative products. The policies continue to support the long-term healthy development of innovative, large-scale domestic pharmaceutical enterprises with international presence. In addition, during the pandemic, the internet healthcare has played an important role in alleviating the pressure of offline medical treatment and reducing cross-infection. Internet healthcare has received unprecedented attention and development, and the industry will embrace a new era of rapid development of digitalization.

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

The Board of the Company is of the opinion that the Group, as a pharmaceutical enterprise which took an initiative to develop internationally, will continue to accelerate innovation and transformation, and strongly expand the international market. At the same time, the Group will proactively roll out plans for products and technologies in therapeutic areas with greater unmet needs, so as to explore investment and mergers and acquisitions opportunities while maintaining organic growth. As for the healthcare service sector, by means of lean operation, the Group will continue to strengthen the construction of medical institutions in advantageous areas and create advantageous specialities, and continue to improve its brand building and high-quality operational ability, so as to allow more consumers to understand and enjoy high-quality medical services.

B. Corporate Development Strategies

The Group will continue to 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. While continuously enhancing its R&D capability, the Group will continue to achieve the transformation and practice of global innovative advanced technology by adopting license-in projects, "deep incubation" and other models to access the global innovative advanced technology so as to facilitate the innovation and transformation and propel the international expansion of the Group. With respect to production and operation, the Group will strengthen the upgrading and optimization of production and manufacturing systems, continue to improve supply chain management, promote the mutual commissioned production and the 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 active pharmaceutical ingredients, so as to secure production capacity for newly launched products and key products. At the same time, the Group will continue to promote the transformation and upgrading of the digitalization and the intellectualization of enterprises. In addition, the Group will focus on the construction of an operation system as a healthcare service group to further strengthen its management in the healthcare services segment. The Group will further enhance its establishment of core competence to improve its operating results. At the same time, the Group will continue to actively explore financing channels domestically and internationally and create favorable capital foundation for the continuous development of the Group.

C. Operation Plan

In 2022, the development of the entire pharmaceutical industry will be presented with both challenges and opportunities. The Group will endeavor to optimize its product structure and strengthen R&D efficiency. In addition, the Group will continue to optimize operational efficiency in the healthcare service industry, expand the construction of competitive disciplines and enhance quality management, accelerate the Internet transformation of healthcare industry and further promote breakthroughs in the field of consumer medical care so as to expand the operating scale in the segment and improve its capabilities in operation, management and internationalization. The Group will continue to pay attention to merger and acquisition opportunities of excellent enterprises abroad and at home, so as to support and facilitate the consolidation of pharmaceutical and medical devices distribution industries of Sinopharm.

In addition, the Group will continue to pay attention to the situation of COVID-19 and adopt relevant preventive measures to ensure the orderly and smooth operation activities.

In order to achieve the above operating objectives, the Group will continue to optimize its control throughout operation and enhance the efficiency of asset operations. Specific strategies and actions include:

Pharmaceutical Manufacturing

In 2022, the Group will continue to focus on innovation and international development, strengthen global construction, enhance capabilities in innovative R&D, market access and marketing, and strive to develop strategic products. Whilst actively seeking opportunities for mergers and acquisitions as well as consolidation in the industry, and establishing and promoting integration and synergy in the product lines and supply chains, the Group seeks to achieve continuous growth of its revenue and profit.

With patients constantly at the center and clinical needs as the direction, the Group will focus on therapeutic fields including metabolism and alimentary system, anti-tumor and immune modulation, anti-infection, central nervous system and cardiovascular system, strengthen the establishment of its systems in terms of specialization, branding, digitization, compliance and marketing, and strengthen the establishment of its commercialization teams for innovative drugs and new retail, so as to consolidate the market position and the growth in sales in the existing key areas and products of the Group. At the same time, the Group will emphasize on promoting the approval of new products/new indications and the sales volume of key products. The Group will continuously promote the consolidation and enhancement of the production capacity within the Group, and the optimization of the raw materials. Moreover, the Group will orderly promote the production and commercialization of MPP licensed varieties, promote the import and registration of Gland Pharma's products in China, as well as the sales and expansion of certain products in the U.S. market. The Group will continue to strengthen efforts in the marketing of products with WHO-PQ certification and adopt effective product lifecycle management strategies to maintain and improve the leading position of each product in market segments.

In 2022, the Group will continuously speed up the clinical trials for products and the progress in registration. The Group plans to commence more than 10 overseas clinical projects, including a number of projects which have entered or will enter international multi-center clinical trials.

In addition, the Group will also further expand and intensify its cooperation with leading pharmaceutical companies in the world in order to give full play to the advantages of connecting momentum in China to global resources, making innovations in the cooperation model and searching for new momentum.

Medical Devices and Medical Diagnosis

In 2022, with respect to medical devices business, the Group will focus on professional integration and concentration towards independent brand R&D to make more breakthroughs. Through diversified means including continuous increase in R&D expenditure, license-in and cooperation, the professional and platform development of the medical devices business will be further promoted. With respect to medical beauty devices, the Group will continue to enhance the R&D of diversified product portfolios, accelerate the investment and the integration regarding the digitalization, deepen investment and deployment in direct sales channels and consumer terminals, and actively promote its resource collaboration and business model innovation. With respect to respiratory health, the Group will keep launching new products and comprehensive solutions for lung diseases and respiratory and sleep problems, accelerate the launch of customized products addressing the needs of the Chinese market, and optimize services to end customers through digital means. With respect to professional healthcare, the Group will continue to increase R&D expenditure, and add diversity into clinical solutions in the specialty fields through in-house R&D and license-in projects and deploy high-quality R&D and production capacity through industrial chain extension. The Group will also actively promote the increase of installation volume and surgical volume as well as the clinical academic development of Da Vinci surgical robotic system.

In 2022, with respect to medical diagnosis, the Group will continue to deepen the product layout and to optimize the product line portfolios, so as to promote the development, introduction and localization of strategic products and emerging technologies. The Group will foster a closed-loop model in application in order to enhance the competitiveness of the products. The Group will improve the accuracy and effectiveness of domestic diagnosis in terms of performance in infection, tumor, chronic disease and other fields, and provide customers with comprehensive solutions. The Group will improve its R&D capabilities and production self-sufficiency capabilities of core product technologies and key raw materials, actively seek interdisciplinary and cross-field R&D cooperation, and make constant innovations. The Group will rapidly gain access to key strategic markets through its global license-in capabilities and channels, and reinforce the strategic mergers and acquisitions of leading companies or key technologies in sub-sectors. In the field of medical devices, the Group will comprehensively structure a cascading R&D plan, aiming to cover the mainstream market needs for medical devices, and to realize automation and intelligence of future central laboratory as well as compactization of devices giving immediate results in A&E units of primary medical institutions. Regarding diagnostic reagents, the Group will quickly expand the R&D team and actively search for external collaboration opportunities. By leveraging both internal R&D and external collaborations, the Group can offer diverse healthcare services and products to create a closed loop in product applications and value. In addition, the Group will actively deploy the field of precision medicine, maintain a forward-looking capability of the industry, continually produce exclusive products and signature products, increase differentiated competitiveness and shape the brand image.

In addition, the Group will continue to strengthen the domestic sales network and professional sales team of medical devices and medical diagnosis business, improve the clinical value-oriented market technical team and optimize the layout of after-sales service team. The Group will actively build the support capabilities of middle and back offices, improve smart manufacturing capabilities, optimize supply chains, realize smart production process management and centralize product production capacity. Furthermore, the Group will improve brand capacity building, intensify integration to improve its integrated operation capabilities and efficiency, so as to achieve economies of scale, reduce costs and continue to enhance corporate value.

The Group will continue to leverage its strengths in international operations, and with its existing overseas companies as platforms, vigorously explore business cooperation and seek investment opportunities with overseas companies on the basis of proactive integration. It will also continuously enhance the competitiveness of comprehensive clinical solutions by introducing cutting-edge technologies and innovative products, so as to achieve growth in the scale of its medical devices and medical diagnosis business.

Healthcare Services

In 2022, leveraging the advantages of existing medical resources and internet platform, the Group will accelerate user growth, construction of a comprehensive service landscape and creation of a differentiated product system. The Group will explore targeted user resources of medical specialities and efficiently expand the coverage of pan- healthy populations through ecological cooperation. Leveraging the offline medical network, the online platform services and the online and offline integration model, the Group will be exposed to a diverse range of customers effectively. The Group will launch a one-stop product portfolio, including internet medical services, specialized medical services, pharmaceutical devices and e-commerce services, and health management services, that centers around user lifecycle from medical treatment to preventative treatment. To this end, the Group will continue to strengthen core capacity-building, including the consolidation of online and offline integrated platforms, the improvement of medical capabilities of platforms and supply chains, the enhancement of innovation and application capabilities, and the improvement of quality control and compliance systems.

At the same time, the Group will continue to leverage its advantages as a hospital management group, promote the three-way driving model comprising of the hospital group, doctor group and internet medical platform, consolidate the construction of key specialist group, build a multi-talent ladder, expand external opportunities and gradually build up its scale through internal cooperation. The Group will also enhance the capability of lean operation, accelerate business development as well as full implementation of performance appraisal mechanisms of DRGs, RBRVS and big data diagnosis-intervention packet (DIP), improve operational modules such as quality and safety, care and services, and performance and evaluation. The Group will improve the establishment of key subjects, push forward the promotion and implementation of centralized procurement, infrastructure construction and information technology development and integrate internal resources to realize cost reduction and efficiency improvement. Furthermore, the Group will expand international vision, increase overseas academic exchange, establish a talent introduction and training system, procure overseas cooperation and introduce top-end technology and support international development. Meanwhile, the Group will also promote the reconstruction and expansion of the newly-built and existing hospitals, and seek new opportunities for mergers and acquisitions of healthcare services.

By adopting the above business plan, the Group will achieve the goal of providing users with a one-stop healthcare service based on medical-level trust and a full-cycle closed- loop solution as early as possible, and become the "leader of active family health management".

Pharmaceutical Distribution and Retail

In 2022, the Group will continue to support and facilitate consolidation and rapid development of Sinopharm in its pharmaceutical and medical devices distribution business and the continued expansion of the competitive advantages of Sinopharm in the pharmaceutical and medical devices distribution sectors.

Financing

In 2022, the Group will continue to explore the financing channels domestically and internationally, continuously optimize its financing structure and debt structure, lower financial costs and further enhance its core competence, so as to consolidate its leading position in the industry.

With the organic growth of the Group and the steady growth in the industry consolidation, the Group expects to invest approximately RMB3 billion for production capacity expansion, plant relocation, the development of GMP and reconstruction and expansion of hospitals in 2022. Primary sources of funding will include, among others, the Group's own capital, cash flow from operating activities, and proceeds from debt and equity financing.

D. Potential Risks

I. Risks in relation to industry policies and system reforms

The pharmaceutical industry is one of the industries most affected by national policies in the PRC, involving various government departments, ministries and commissions and institutions such as national medical insurance, health, drug supervision and administration, industrialization and informatization, technology and intellectual property rights. With the intensified efforts in the reform of drug production and manufacturing, medical health and medical protection, as well as the uncertainties due to COVID-19, the pharmaceutical market environment continues changing significantly, and innovative transformation, industry consolidation and transformation in business models are inevitable. As the connection between the elements in "Three Medical Linkages" grow stronger, the promotion and implementation of policies on national and regional centralized procurement in quantity for drugs, rational use of drugs, restriction on adjuvant drugs and new policies including medical expense growth control, price and payment method adjustments for medical insurance payments, National Essential Medicine List adjustments, tendency to innovative medicine with high cost efficiency in the Medical Insurance Catalogue, and biosafety and environmental protection affect the production costs and profitability of the entire pharmaceutical industry, and have brought about a new competitive structure to the industry.

In the area of medical devices and medical diagnosis, the newly amended and implemented Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) recognizes the system of the registrant as the core system. It encourages the integration of companies' resources and advantage complementation, and putting innovation as the development focus, which leads to an increase of innovative content and intensifies the support for the innovation of high-end devices, and thus the technology levels of clinical products are continually improved. The centralized procurement in quantity for medical consumables bring about a drastic change in the supply side. The demand for remotely intelligent, internet-based medical equipment and service mode is significant. The equipment installation of primary hospitals is much more funded and the needs for improving the public health system and establishing a contingency mechanism obviously drive the development of the industry.

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

In this regard, the Group will closely monitor and conduct research on the policy trends of related industries, keep abreast of the development trends of the industry, continuously improve business management, and 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 management of the circulation links of drugs that are mainly guided by price reduction. Comprehensive adjustments have been made to the drug prices included in the scope of government pricing.

In the field of generic drugs, with the gradually tighter control 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 drug industry with an excessive number of pharmaceutical manufacturing companies, a fragmented market and low market concentration will change. More and more international pharmaceutical companies are competing through low prices, leading to tougher competitions. It is expected that there will be further concentration in the industry. With the progressing supply-side reforms, the market share and profit margins of generic pharmaceutical products will be subject to further pressure. In the field of innovative drugs, since the market size of generic drugs has been drastically shrunk, numerous generic drugs companies seek transformation. In addition, 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. The drug negotiation catalogue, which mainly targets innovative drugs, tends to be quick in adding newly marketed products, which also posed further restrictions on the pricing of innovative drug products.

In addition, in the Group's overseas markets dominated by the United States, the competition for generic drugs has been increasingly fierce with further price pressure. Meanwhile, drug regulatory agencies implemented increasingly stringent requirements on production quality. These factors constituted unavoidable risks during the deepening of internationalization. In emerging markets such as Africa, more and more Indian generic drug 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 development trend of the industry, strengthen innovation R&D investment, enrich product lines, optimize product structure, and enhance the R&D efficiency of products under research. At the same time, the Group will enhance the benefits from economies of scale, and actively reduce costs and increase productivity for production. With respect to marketing, the Group will increase efforts in market development and enhance products coverage, so as to expand market coverage.

III. Business and operating risks

(1) R&D risk of drugs

Drugs must undergo processes ranging from preclinical research, clinical trials, application for registration and approval for production during the R&D stage to marketing stage, and drug R&D is characterized by large investment, many links, long cycles, and high risks. Drug R&D is also susceptible to unpredictable factors. In addition, if the R&D progress and direction of the drugs do 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 on the profitability and development of the Group.

In this regard, the Group will continue to strictly implement the assessment process for approval, R&D and clinical study and coupled with effective reward and punishment mechanisms to continuously improve R&D efficiency, and strengthen the development of drug registration teams. While supporting innovation, the Group will actively promote the approval of existing products under research and introduced products by way of licensing. In addition, the Group will continue to accelerate its efforts to link its R&D with market conditions so that demand and supply will be better matched.

(2) Control risk of product/service quality

Pharmaceutical products, medical devices and diagnostic products are special commodities, and society pays a great deal of attention to their quality. The Group has been 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 multistage production for pharmaceutical products, quality issues may arise due to raw materials, production, transportation, storage, inventory, use and other matters. Meanwhile, the Group has always adhered to the principle of operating in compliance with laws and regulations, and the Group has formulated corresponding management measures and established management agencies to ensure the procurement, inventory, preparation, and sales of pharmaceuticals, medical devices, and diagnostic products in accordance with GMP and other requirements in order to ensure all subsidiaries to be operated in accordance with the laws. However, notwithstanding this, there may still be the possibility that the relevant operating entities be punished for failing to strictly abide by relevant national laws and regulations due to various reasons such as poor management in the actual course of operation.

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

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

(3) Safety and environmental risks

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

In this regard, the Group strengthens production safety management, focuses on staff training, implements relevant safety production measures, and reasonably controls risks. Meanwhile, the Company will continuously attach importance to fulfilling its social responsibility for environmental protection, adhere to the principle that sustainable development is implemented on the basis of green development, increase investment in environmental protection, ensure the normal operation of environmental protection facilities, and ensure that the target of emissions is met.

IV. Management risks

(1) Internationalized risks

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

(2) Risks arising from acquisitions and reorganizations

The Group facilitates acquisitions and business consolidations so as to achieve economies of scale. However, there might be legal, policy and operating risk exposures during the process of acquisitions and business consolidations. Upon successful acquisitions, the requirements on the operation and management of the Group will become higher. If acquisitions cannot bring about a synergistic impact, the operating results of the Group may be adversely affected.

V. Foreign exchange risk

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

VI. Force majeure risks

Severe natural disasters and the sudden outbreak public health incidents may harm the properties and personnel of the Group, and may adversely affect the normal production and operation of the Group.

Other Events

A. Shareholding Increase Plan of the Controlling Shareholder

2020 Shareholding Increase Plan of the Controlling Shareholder

As notified and confirmed by Fosun High Tech, the controlling shareholder of the Company, in writing on 1 December 2020, Fosun High Tech (and/or through parties acting in concert with it) intended to increase its shareholding in the Company (including A Shares and/or H Shares of the Company) by way of, including but not limited to, centralized price bidding or block trade at the stock exchanges, transfer by agreement during the period from 1 December 2020 to 30 November 2021 (both dates inclusive), the cumulative total consideration therefor shall not be less than RMB100 million and the total increased shareholding percentage shall not exceed 2% of the total number of issued shares of the Company as at 1 December 2020 (i.e. 2,562,898,545 shares, same as below) and the aggregated number of shares in the Company acquired in the 12-month period shall not exceed 2% of the total number of issued shares in the Company. The period of the above shareholding increase plan was lapsed on 30 November 2021 (after trading hours). From 1 December 2020 to 30 November 2021 (both dates inclusive), Fosun High Tech and Fosun International (its controlling shareholder) have acquired a total number of 27,930,500 H Shares of the Company (representing approximately 1.09% of the total number of issued shares of the Company as at 1 December 2020) for an aggregate amount of approximately RMB967.00 million. The aggregated number of shares in the Company acquired in the 12-month period did not exceed 2% of the total number of issued shares in the Company.

B. Shareholding Decrease Plan of Directors

As notified and confirmed by Mr. Yao Fang, an executive Director of the Company at that time (currently a non-executive Director of the Company), in writing on 29 September 2020, he intended to reduce its shareholding in the Company by no more than 341,680 A Shares of the Company through centralized price bidding during the period from 2 November 2020 to 30 April 2021 (both dates inclusive), representing approximately 0.013% of the total number of issued shares of the Company as at 29 September 2020 (i.e. 2,562,898,545 shares, same as below). The shareholding decrease price shall be determined based on the market price at the time of implementing the shareholding decrease. As at 18 January 2021, Mr. Yao Fang ceased to have interest in a total of 322,700 A Shares (of which 152,700 A Shares were taken place in 2021) representing 0.013% of the total number of issued shares as at 29 September 2020 for an aggregate amount of approximately RMB17.44 million (the proceeds of which in the amount of 7.70 million were incurred in 2021). As the number of shares actually ceased to be held by Mr. Yao Fang in 2021 (152,700 shares) has reached the statutory limit of number of shares available for shareholding decrease in that year, implementation of such decrease plan has been completed.

C. The public issuance of corporate bonds to professional investors

On 14 April 2020, 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 [2020] No. 701) (《關於同意上海復星醫藥(集團)股份有限公司向專業投資者公開發行公司債券註冊的批覆》(證監許可[2020]701號)) approving the application for registration of the Company to publicly issue the corporate bonds not exceeding RMB5 billion to professional investors. The approval shall be valid within 2 years from 14 April 2020, and the Company may issue the corporate bonds in tranches within the valid period.

The Company completed the public issuance of the first tranche of corporate bonds (Type 1) of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. for 2021* (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)(品種一)) in February 2021, with the aggregate principal amount of RMB1.6 billion and a final coupon rate of 3.98%. The bonds had a term of four years (with the Company's option to adjust the coupon rate and the investors' option to sell back the corporate bonds at the end of the second year), a value date of 2 February 2021 and a maturity date of 2 February 2025.

D. Issuance of inter-bank market debt financing instruments

On 19 May 2020, the National Association of Financial Market Institutional Investors issued the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2020] No. SCP325) (《接受註冊通知書》(中市協註[2020]SCP325號)), for acceptance of the registration of the super short-term commercial paper of the Company, the registered amount of the super short-term commercial paper shall be RMB5 billion. Such registered amount shall be effective for 2 years commencing from 19 May 2020, and the Company may issue it in tranches within the effective registration period.

In February 2021, the Company completed the issuance of the first tranche of super short-term commercial paper of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. for 2021* (上海復星醫藥(集團)股份有限公司2021年度第一期超短期融資券). The aggregate principal amount was RMB1.5 billion, with a final coupon rate of 3.10%, a value date of 26 February 2021 and a maturity date of 27 May 2021. On 27 May 2021, the Company repaid the principal and interest payable on the commercial paper on time.

In May 2021, the Company completed the issuance of the second tranche of super short-term commercial paper of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. for 2021* (上海復星醫藥(集團)股份有限公司2021年度第二期超短期融資券). The aggregate principal amount was RMB1.5 billion, with a final coupon rate of 2.90%, a value date of 25 May 2021 and a maturity date of 22 September 2021. On 22 September 2021, the Company repaid the principal and interest payable on the commercial paper on time.

In September 2021, the Company completed the issuance of the third tranche of super short-term commercial paper of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. for 2021* (上海復星醫藥(集團)股份有限公司2021年度第三期超短期融資券). The aggregate principal amount was RMB1.2 billion, with a final coupon rate of 2.60%, a value date of 18 September 2021 and a maturity date of 16 April 2022.

E. Proposed non-public issuance of A Shares

On 29 December 2020, the non-public issuance of A Shares, among others, was approved upon consideration and approval by the shareholders of the Company at the 2020 third extraordinary general meeting. On 15 January 2021, the Company received the Acceptance Form of Application for Administrative License of China Securities Regulatory Commission* (《中國證監會行政許可申請受理單》) issued by the CSRC (Acceptance No.: 210079), of which the CSRC accepted the application for administrative license for non- public issuance of A Shares submitted by the Company in accordance with the law.

On 6 April 2021, the Company made the adjustment to the proceeds and the issuance plan in the plan of the non-public issuance of A Shares. The total proceeds were adjusted to no more than RMB4,483.78 million (inclusive) from no more than RMB4,982.83 million (inclusive).

On 27 July 2021, the CSRC issued the Approval in relation to the Non-public Issuance of Shares by Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (Zheng Jian Xu Ke [2021] No. 2501)* (《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》(證監許可[2021]2501號)) to approve the Company to undertake the non-public issuance of no more than 128,144,927 new shares (A Shares). The approval shall be valid for a period of 12 months from the date of the approval (i.e. 27 July 2021).

F. 2021 Restricted Share Incentive Scheme

The relevant resolutions in relation to the 2021 Restricted Share Incentive scheme and the proposed grant were proposed to the Shareholders at the general meeting to be considered, and if thought fit, approved by way of special resolutions. Such resolutions were duly passed by the holders of more than two-thirds of total shares with valid rights of voting at the annual general meeting and the A shareholders' class meeting of the Company convened on 11 June 2021. However, as such resolutions were not passed by the holders of more than two-thirds of total H shares with valid rights of voting at the H Shareholders' class meeting convened on the same day, the underlying matters of such resolutions were deemed considered but not approved. Therefore, the 2021 Restricted Share Incentive Scheme did not proceed.

Five-Year Statistics

Unit: million Currency: RMB

Year	2017	2018	2019	2020	2021
Operating Results					
Revenue	18,362	24,714	28,389	30,163	**38,858**
Profit for the year	3,585	3,020	3,744	3,940	**4,987**
Profit for the year attributable to owners of the parent	3,124	2,708	3,322	3,663	**4,735**
EBITDA	5,585	5,856	7,121	7,287	**8,825**
Proposed final dividend (in RMB Yuan)	0.38	0.32	0.39	0.43	**0.56**
Earnings per share (in RMB Yuan)					
Earnings per share — basic	1.27	1.07	1.30	1.43	**1.85**
Earnings per share — diluted	1.27	1.07	1.30	1.43	**1.85**
Equity					
Total equity	29,685	33,536	39,147	45,927	**48,319**
Equity attributable to owners of the parent	25,270	27,921	31,831	36,939	**39,135**
Equity per share attributable to owners of the parent	10.13	10.89	12.42	14.41	**15.27**
Debt					
Total debt	20,287	23,203	21,691	23,743	**25,299**
Gearing ratio (%)	32.77%	32.91%	28.52%	28.39%	**27.13%**
Interest coverage (times)	9.66	6.30	6.62	8.27	**10.72**
Assets					
Cash and bank balances	7,249	8,547	9,533	9,962	**10,308**
Property, plant and equipment	8,353	9,218	10,721	12,580	**13,012**
Prepaid land lease payments	1,324	1,523	—	—	**—**
Right-of-use asset	—	—	2,455	2,666	**2,570**
Investments in joint ventures	647	447	381	382	**283**
Investments in associates	17,747	20,924	20,492	21,871	**22,344**
Available-for-sale investments	2,673	—	—	—	**—**
Equity investments at fair value through profit or loss	219	—	—	—	**—**
Financial assets at fair value through profit or loss — non-current	—	2,506	1,983	1,461	**1,206**
Financial assets at fair value through profit or loss — current	—	616	457	1,970	**4,241**
Equity investments designated at fair value through other comprehensive income	—	126	108	1	**30**
Segment net profit					
Pharmaceutical manufacturing	1,838	1,755	2,073	2,355	**2,630**
Medical devices and medical diagnosis	387	440	495	907	**2,000**
Healthcare service	223	209	1,559	109	**(433)**
Pharmaceutical distribution and retail	1,416	1,515	1,634	1,807	**1,948**

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

Report
of the Directors

The Directors are pleased to present their 2021 report and the audited consolidated financial statements of the Company for the year ended 31 December 2021.

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 2021 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 confronted by the Group can be found throughout this annual report, particularly in the section headed "Potential Risks" in the Management Discussion and Analysis in this annual report. Particulars of important events affecting the Group that have occurred since the end of the Reporting Period, can also be found in the note 52 to Financial Statements. The outlook of the Group's business is discussed throughout this annual report including the Chairman's Statement and the section headed "The Board's Discussion and Analysis on Future Development of the Group" in the Management Discussion and Analysis in this annual report.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2021 and the state of affairs of the Group at that date are set out in the financial statements and the accompanying notes on pages 179 to 315.

The Board has proposed the 2021 Final Dividend of RMB0.56 per share, before tax, for the year ended 31 December 2021, 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 2021 Final Dividend and the forthcoming annual general meeting of the Company to Shareholders as soon as practicable.

PROFIT DISTRIBUTION PLAN

According to the Articles of Association, the Company may distribute its profit by means of cash, shares or a combination of cash and shares. If the Company satisfies the conditions for cash dividends, priority should be given to profit distribution by means of cash dividends. The Company makes a profit distribution each year in principle, and the Board may propose to distribute interim cash dividends under the circumstances of the Company. As 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 consider comprehensively 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 any significant capital expenditure arrangement, when distinguishing the following situations and forming different cash dividend distribution plans:

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

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

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

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

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

According to the requirements of the PRC Enterprise Income Tax Law effective from 1 January 2008 and the implementation rules thereof, the Decision of the Standing Committee of the National People's Congress on Amending the Enterprise Income Tax Law of the PRC* (《全國人民代表大會常務委員會關於修改〈中華人民共和國企業所得稅法〉的決定》) effective from 24 February 2017 and the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders which are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897)* (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) issued by the State Administration of Taxation on 6 November 2008, the 2021 Final Dividend payable to the non-resident enterprise shareholders whose names appear on the registers of members of H shares of the Company is subject to a withholding tax at a rate of 10%.

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

According to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348)* (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) issued by the State Administration of Taxation on 28 June 2011 and the Letter on the Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies issued by the Hong Kong Stock Exchange on 4 July 2011, when domestic companies other than foreign- invested enterprises which issue shares in Hong Kong distribute dividends to their shareholders, the individual shareholders in general will be subject to a withholding of individual income tax at a rate of 10%. When the Company distributes the 2021 Final Dividend to the individual holders of H shares, such dividend will be subject to the withholding of individual income tax at a rate of 10%. Unless otherwise provided by applicable tax laws, relevant tax treaties or notices, the tax will be withheld in accordance with the relevant requirements and tax levy and administration requirements.

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

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

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

AGM AND CLOSURE OF REGISTER OF MEMBERS OF H SHARES

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

SUMMARY FINANCIAL INFORMATION

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

ISSUED CAPITAL

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

SUBSIDIARIES

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

ISSUANCE OF DEBENTURES

During the Reporting Period, the Group issued a tranche of corporate bonds and three tranches of super short-term commercial papers. Please refer to the section headed "Other Events" in the Management Discussion and Analysis.

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

Sell back of "18 Fosun 01"* (「18復藥01」) Corporate Bonds

The total initial offering size of "18 Fosun 01"* (「18復藥01」) corporate bonds was RMB1.3 billion. 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 2018 by Shanghai Fosun Pharmaceutical (Group) Co, Ltd.*" (《上海復星醫藥(集團)股份有限公司2018年公開發行公司債券(面向合格投資者)(第一期)募集說明書》), certain bondholders exercised their put option at the end of the third interest-bearing year during the term of such corporate bonds. Such sell back amounted to RMB974.999 million, of which RMB420.00 million has been resold during the resold period (i.e. from 13 August 2021 to 9 September 2021) and the remaining RMB554.999 million were cancelled. Therefore, as at the end of the Reporting Period, the balance of the outstanding principal amount of such corporate bonds was reduced to RMB745.001 million.

Sell back of "18 Fosun 03"* (「18復藥03」) Corporate Bonds

The total initial offering size of "18 Fosun 03"* (「18復藥03」) corporate bonds was RMB1 billion. Certain bondholders exercised their put option at the end of the third 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 (Third Tranche) to Qualified Investors in 2018 by Shanghai Fosun Pharmaceutical (Group) Co, Ltd.*" (《上海復星醫藥(集團)股份有限公司2018年公開發行公司債券(第三期)(面向合格投資者)募集說明書》). The balance of the outstanding principal amount of such corporate bonds was reduced to RMB8.95 million. As at 16 February 2022, according to the resolution of the 2022 1st bondholders' meeting, such corporate bonds were delisted as the Company redeemed the remaining principal amount of such corporate bonds in advance and paid the corresponding interest during 30 November 2021 to 15 February 2022 (both dates inclusive).

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 Reporting Period.

DISTRIBUTABLE RESERVES

The amount of the Company's reserves available for distribution as at 31 December 2021, calculated in accordance with PRC rules and regulations, was RMB10,647 million.

MAJOR CUSTOMERS AND SUPPLIERS

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

DIRECTORS

As at the end of the Reporting Period, the Board consisted of 11 Directors. The Directors are as follows:

Executive Directors

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

Non-executive Directors

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

Independent non-executive Directors

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

Notes:

On 11 June 2021, Mr. Jiang Xian and Dr. Wong Tin Yau Kelvin retired as independent non-executive Directors.

At the annual general meeting of the Company held on 11 June 2021, Mr. Wang Quandi and Mr. Yu Tze Shan Hailson were appointed as independent non-executive Directors.

On 9 November 2021, Mr Gong Ping and Mr. Zhang Houlin resigned as non-executive Directors.

At the 3rd extraordinary general meeting of the Company in 2021 held on 7 December 2021, Mr. Wang Kexin and Ms. Guan Xiaohui were appointed as executive Directors.

On 4 January 2022, Mr. Wang Kexin and Ms. Guan Xiaohui were appointed as vice chairmen of the eighth session of the Board.

SUPERVISORS

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

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

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 162 to 170 of this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

For the year ended 31 December 2021, the remuneration, including salaries, allowances and benefits in kind, performance-related bonuses, pension scheme contribution and cash-based long-term incentive scheme, of the Company's senior management (excluding the Company's joint company secretary Ms. Kam Mei Ha Wendy) whose profiles are included in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this annual report fell within the following bands:

Remuneration bands	Number of individuals
RMB Nil to RMB2,000,000	1
RMB2,000,001 to RMB4,000,000	9
RMB4,000,001 to RMB6,000,000	6
RMB6,000,001 to RMB8,000,000	2
RMB8,000,001 to RMB10,000,000	0
RMB10,000,001 to RMB20,000,000	2

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.

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 RMB439.1 million.

MANAGEMENT CONTRACT

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

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the Reporting Period, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any Directors and Supervisors or their respective spouse or minor children, or were any such rights exercised by them; nor was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement which enabled the Directors or Supervisors to acquire such rights in any other body corporate.

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

As at 31 December 2021, 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) Long positions 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	342,000(L)	0.06%
	Beneficial owner	A Share	718,900(L)	0.04%
Mr. Wang Kexin	Beneficial owner	A Share	202,500(L)	0.01%
Ms. Guan Xiaohui	Beneficial owner	A Share	181,000(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) Long positions in the shares, underlying shares and debentures 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. Chen Qiyu	Fosun International	Ordinary share	Beneficial owner	22,998,000(L)	0.28%
	Fosun Tourism	Ordinary share	Beneficial owner	501,478(L)	0.04%
Mr. Yao Fang	Fosun International	Ordinary share	Beneficial owner	640,000(L)	0.01%
Mr. Xu Xiaoliang	Fosun International	Ordinary share	Beneficial owner	20,077,800(L)	0.24%
	Fosun Tourism	Ordinary share	Beneficial owner	252,328(L)	0.02%
Mr. Pan Donghui	Fosun International	Ordinary share	Beneficial owner	11,160,000(L)	0.13%

Note:

(1) (L) — Long position

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

As at 31 December 2021, so far as is known to the Directors and Supervisors, the persons or entities, other than the Directors, Supervisors or chief executive of the Company, who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name of Shareholders	Nature of Interest	Class of Shares	Number of Shares[1]	Approximate percentage of Shares in relevant class of Shares
Fosun High Tech	Beneficial owner	H Share	71,533,000(L)	12.96%
	Beneficial owner	A Share	938,095,290(L)	46.65%
Fosun International	Beneficial owner	H Share	6,000,000(L)[2]	1.09%
	Interest of a controlled corporation	H Share	71,533,500(L)[2]	12.96%
	Interest of a controlled corporation	A Share	938,095,290(L)[3]	46.65%
Fosun Holdings	Interest of a controlled corporation	H Share	77,533,500(L)[2]	14.05%
	Interest of a controlled corporation	A Share	938,095,290(L)[3]	46.65%
Fosun International Holdings	Interest of a controlled corporation	H Share	77,533,500(L)[2]	14.05%
	Interest of a controlled corporation	A Share	938,095,290(L)[3]	46.65%
Mr. Guo Guangchang	Interest of a controlled corporation	H Share	77,533,500(L)[2]	14.05%
	Interest of a controlled corporation	A Share	938,095,290(L)[3]	46.65%
	Beneficial owner	A Share	114,075(L)	0.01%

Notes:

(1) (L) — Long position

(2) These Shares, of which 71,533,500 Shares are held by Fosun High Tech. and of which 6,000,000 Shares are held by Fosun International. Fosun High Tech is wholly owned by Fosun International, which in turn is owned as to 72.66% by Fosun Holdings, and Fosun Holdings is wholly owned by Fosun International Holdings. As Fosun International Holdings is owned as to 85.29% by Mr. Guo Guangchang, Fosun International, Fosun Holdings, Fosun International Holdings and Mr. Guo Guangchang are deemed to be interested in these Shares.

(3) These Shares are held by Fosun High Tech. Fosun High Tech is wholly owned by Fosun International, which in turn is owned as to 72.66% 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 2021 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

Gland Pharma Share Option Incentive Scheme

The Shareholders approved the adoption of the Gland Pharma Share Option Incentive Scheme at the annual general meeting of the Company held on 25 June 2019. The summary of the principal terms of the Gland Pharma Share Option Incentive Scheme is as follows:

(1) Purpose

The purpose of the Gland Pharma Share Option Incentive Scheme is to (i) reward the employees for their past and future performance, (ii) align the interests of the employees with those of shareholders of Gland Pharma, (iii) foster the sense of ownership of the employees, and (iv) reward the employees for their loyalty.

(2) Participants

The committee as created by the board of directors of Gland Pharma ("GP Board") for administration and superintendence of the Gland Pharma Share Option Incentive Scheme thereunder ("GP Committee") will decide which of the employees should be the participants to be granted options under the share option scheme and accordingly, Gland Pharma would offer the options to the employees who are the participants to the extent permissible by applicable laws.

(3) Maximum number of shares subject to options

Subject to the provisions of the Gland Pharma Share Option Incentive Scheme, after Gland Pharma's share subdivision on 17 March 2020, the maximum number of Gland Pharma shares that may be issued pursuant to exercise of options granted to the participants under the Gland Pharma Share Option Incentive Scheme shall not exceed 1,704,440 Gland Pharma shares, representing approximately 1% of the total number of issued Gland Pharma shares as at the date of this report. Subject to the limitations prescribed under the Gland Pharma Share Option Incentive Scheme, Gland Pharma reserves the right to increase or reduce such number of Gland Pharma shares as it deems fit.

(4) Maximum entitlements to each grantee or participant

The total number of Gland Pharma shares issued and to be issued upon exercise of the options granted and to be granted to each grantee or participant (as the case may be) (including both exercised and outstanding options) in any twelve-month period shall not exceed 1% of the number of the relevant class of Gland Pharma shares in issue as of the proposed grant date.

(5) Vesting of options

There shall be a minimum period of one year between grant of options and vesting of options.

Provided that the relevant employee performance conditions and vesting conditions are satisfied, the granted options will be vested in three batches: (a) subject to the terms of the Gland Pharma Share Option Incentive Scheme and the achievement of certain performance targets, 40% of the options granted will vest on 31 March 2020, or 31 March 2021 or 31 March 2022; (b) subject to the achievement of certain performance targets, the next 30% of the options granted will vest on 31 March 2021 or 31 March 2022; and (c) subject to the achievement of certain performance targets, the next 30% of the options granted will vest on 31 March 2022. Details of the vesting conditions of the share options are set out in the section "6. VESTING OF OPTIONS" in Appendix XI of the circular of the Company dated 26 April 2019.

(6) No payment payable on application or acceptance of options

No payment shall be required to be made by the participant for the application or acceptance of options under the Gland Pharma Share Option Incentive Scheme.

(7) Exercise price and its basis of determination

The exercise price of an option shall be determined based on the fair market value of the underlying Gland Pharma share, which shall be determined by the GP Board/GP Committee in accordance with the norms provided in the Gland Pharma Share Option Incentive Scheme. Such fair market value as accepted by the GP Board/GP Committee shall be final and binding on all parties. For the purposes of incentivising and rewarding the employees for their contribution to Gland Pharma and retaining key talent in Gland Pharma, the exercise price of an option granted under the Gland Pharma Share Option Incentive Scheme will also represent a 20% discount to the fair market value so that the relevant exercise price will be equal to 80% of such fair market value, provided, however, that, with respect to the period from the date of the Company resolves to seek a listing of Gland Pharma or during the period commencing six months before the lodgement of an application for listing up to the date of listing, the rules under note (2) to Rule 17.03(9) of the Hong Kong Listing Rules shall be complied with, in particular, in the event that Gland Pharma seeks a listing in Hong Kong, the exercise price of options granted during the above-mentioned period must be not less than the new issue price.

(8) Validity period of the Scheme and exercise period of options

The Gland Pharma Share Option Incentive Scheme shall continue in effect from the adoption date until the earlier to occur of (i) all the options granted pursuant to the share option scheme have vested and been exercised by the participants; (ii) the date of termination determined by Gland Pharma/GP Committee; (iii) the tenth (10th) anniversary date (i.e. 24 June 2029) from the adoption date.

After vesting of options, an employee should exercise his right to apply for the underlying shares in pursuance of the Gland Pharma Share Option Incentive Scheme, and such period shall end in any event not later than 10 years from the grant date subject to the provisions for early termination thereof.

(9) Grant of options and adjustments made to options granted

On 27 June 2019, a total of 154,950 options were granted to 103 participants under the Gland Pharma Share Option Incentive Scheme with an exercise price of INR5,420 per Gland Pharma share. The number of Gland Pharma shares may be issued upon the exercise of the granted options represents approximately 1% of the total issued shares of Gland Pharma on the date of adoption of the Gland Pharma Share Option Incentive Scheme.

On 17 March 2020, Gland Pharma completed the share subdivision on the basis that every one (1) outstanding Gland Pharma Share be subdivided into ten (10) Gland Pharma Shares. According to the provisions of the Gland Pharma Share Option Incentive Scheme, upon the completion of the share subdivision of Gland Pharma, adjustments shall be made to the exercise price of the outstanding options and the number of Gland Pharma Shares to be allotted and issued upon exercise of all the outstanding options in accordance with the terms of the Gland Pharma Share Option Incentive Scheme.

The details of the options granted under the Gland Pharma Share Option Incentive Scheme during the Reporting Period are set out below:

Participant	Date of Grant (dd-mm-yyyy)	Vesting Period (dd-mm-yyyy)[1]	Option share[1]	Exercise period[1]	Outstanding options as at 1 January 2021	Exercise price per share	Granted during the Reporting Period	Exercised during the Reporting Period[2]	Forfeited or lapsed during the Reporting Period[3]	Outstanding options as at 31 December 2021
Employees of Gland Pharma	27-6-2019	27-6-2019 to 19-11-2020	40%	20-11-2020 to 26-6-2029	1,480,500	INR542	0	1,019,900	5,100	455,500
		27-6-2019 to 30-3-2021	30%	31-3-2021 to 26-6-2029						
		27-6-2019 to 30-3-2022	30%	31-3-2022 to 26-6-2029						

Notes:

(1) The vesting of the options granted shall be subject to the requirement for a minimum period of one year between the date of grant and vesting of the options and the relevant performance targets under the Gland Pharma Share Option Incentive Scheme.

(2) The weighted average closing price of the Gland Pharma shares immediately before the dates on which options were exercised during the Reporting Period was INR2,889.45.

(3) During the Reporting Period, as two participants ceased to be an employee of Gland Pharma, the granted share options underlying 5,100 shares of Gland Pharma in aggregate were lapsed and forfeited.

Save as disclosed above, no option has been granted to any director, chief executive or substantial shareholder of the Company or their respective associates and other persons specified under Rule 17.07 of the Listing Rules and no options have been granted during the Reporting Period according to the Gland Pharma Share Option Incentive Scheme.

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 RMB36 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 4 February 2021, on 4 February 2021, Tianjin Qianda, a subsidiary, entered into a joint venture agreement and a shareholders agreement with Fosun Trade in relation to the formation of Fosun Trade Medical, pursuant to which the registered capital of Fosun Trade Medical was RMB50 million, of which Tianjin Qianda made cash contribution in the amount of RMB25.5 million, and Fosun Trade made cash contribution in the amount of RMB24.5 million.

   As Fosun Trade is a subsidiary of Fosun High Tech, the controlling shareholder of the Company, Fosun Trade constitutes an associate of Fosun High Tech, and hence a connected person of the Company under the Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transaction contemplated under the joint venture agreement and the shareholders agreement constitutes connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

2. As disclosed in the announcements of the Company dated 26 April 2021, 5 May 2021 and 31 May 2021, on 26 April 2021, Foshan Chancheng Hospital, Fosun Health and Foshan Chanxi, all of which are subsidiaries, entered into a transfer contract with Yuyuan, pursuant to which Foshan Chancheng Hospital and Fosun Health transferred 100% of the equity interest of Foshan Chanxi to Yuyuan (or its designated subsidiaries as agreed) for a total consideration of RMB176.1128 million, and assigned the sale loan to Yuyuan (or its designated subsidiaries as agreed) for a total consideration of RMB373.8872 million. Upon completion of the equity interest transfer under the transfer contract, the Group no longer held any equity interest in Foshan Chanxi.

   As Yuyuan is a subsidiary of Fosun High Tech, the controlling shareholder of the Company, Yuyuan constitutes an associate of Fosun High Tech, and hence connected person of the Company under Chapter 14A.07 of the Hong Kong Listing Rules. Therefore, the transactions contemplated under the transfer contract constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

3. As disclosed in the announcement of the Company dated 31 May 2021, on 31 May 2021, Foshan Chancheng Hospital, a subsidiary entered into a joint venture contract with Xingmai Technology in relation to the formation of Fosun Nanfeng, pursuant to which the registered capital of Fosun Nanfeng was RMB5 million, of which each of Foshan Chancheng Hospital and Xingmai Technology made cash contribution in the amount of RMB2.5 million, respectively.

   As Xingmai Technology is a company controlled by Mr. Guo Guangchang, the controlling shareholder of the Company, and hence an associate of Mr. Guo Guangchang, Xingmai Technology constitutes a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules. Therefore, the transaction contemplated under the joint venture contract constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

4. As disclosed in the announcement of the Company dated 9 June 2021, on 9 June 2021, Fosun Pharma USA Inc., a subsidiary (as the buyer) and Fosun Healthcare US LLC (as the seller), entered into a purchase agreement, pursuant to which the seller agreed to sell and the buyer agreed to purchase 49% of the equity interest in NOVA JV (US) LLC held by the seller at the purchase price of US$7.32 million. Upon completion of the transaction under the purchase agreement, the Company shall hold 100% of the equity interest in NOVA JV (US) LLC.

As the seller is a subsidiary of Fosun International, the controlling shareholder of the Company, the seller constitutes an associate of the Fosun International and a connected person of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Therefore, the transaction contemplated under the purchase agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

5. As disclosed in the announcement of the Company dated 11 October 2021, on 11 October 2021, Fosun Health, a subsidiary entered into a joint venture agreement with Forte Industrial Development in relation to the formation of Suzhou Xingchen Children's Hospital, pursuant to which the registered capital of Suzhou Xingchen Children's Hospital was RMB70 million, of which Fosun Health agreed to make cash contribution in the amount of RMB35.7 million, and Forte Industrial Development agreed to make cash contribution in the amount of RMB34.3 million.

   As Forte Industrial Development is a company controlled by Mr. Guo Guangchang, the controlling shareholder of the Company, and hence an associate of Mr. Guo Guangchang, Forte Industrial Development constitutes a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transaction contemplated under the joint venture agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

6. As disclosed in the announcement of the Company dated 26 October 2021, on 26 October 2021, Fujian Fund, the Company, Fosun High Tech (the controlling shareholder of the Company) and Suzhou Xingsheng entered into the Suzhou Partnership Agreement in relation to the formation of Suzhou Partnership, pursuant to which the total capital contribution of Suzhou Partnership shall be RMB10 million, of which RMB0.1 million shall be contributed by Fujian Fund (as the general partner), RMB4.44 million shall be contributed by the Company (as a limited partner), RMB2.96 million shall be contributed by Fosun High Tech (as a limited partner) and RMB2.5 million shall be contributed by Suzhou Xingsheng (as a limited partner).

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

7. As disclosed in the announcement of the Company dated 26 October 2021, on 26 October 2021, Fosun Health, a subsidiary entered into (i) the Fosun High Tech Equity Transfer Agreement, (ii) the Youle Information Equity Transfer Agreement, and (iii) Foshan Chancheng Hospital Equity Transfer Agreement with each of Fosun High Tech, Youle Information and Foshan Chancheng Hospital, respectively, pursuant to which (1) Fosun High Tech agreed to sell and Fosun Health agreed to purchase 28.2373% of the equity interest in Shenzhen Fosun Health held by Fosun High Tech for a cash consideration of RMB34 million, (2) Youle Information agreed to sell and Fosun Health agreed to purchase 8.3051% of the equity interest in Shenzhen Fosun Health held by Youle Information for a cash consideration of RMB10 million, and (3) Foshan Chancheng Hospital agreed to sell and Fosun Health agreed to purchase 8.6439% of the equity interest in Shenzhen Fosun Health held by Foshan Chancheng Hospital for a cash consideration of RMB10.408 million. Upon the completion of the transactions contemplated under those equity transfer agreements, Shenzhen Fosun Health shall become a wholly-owned subsidiary of Fosun Health.

   As Fosun High Tech is the controlling shareholder of the Company, it constitutes a connected person of the Company. In addition, as Youle Information is a company controlled by Fosun High Tech, Youle Information constitutes an associate of Fosun High Tech and hence a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules. Therefore, the transactions contemplated under the Fosun High Tech Equity Transfer Agreement and Youle Information Equity Transfer Agreement constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

8. As disclosed in the announcement of the Company dated 24 November 2021, on 24 November 2021, Fujian Fund (a subsidiary), the Company, Fosun High Tech (the controlling shareholder of the Company), and Ningbo Xingyao entered into the Dalian Partnership Agreement, pursuant to which the total capital contribution of Dalian Partnership shall be RMB10 million, of which RMB0.1 million shall be contributed by Fujian Fund (as the general partner), RMB6.56 million shall be contributed by the Company (as a limited partner), RMB1.64 million shall be contributed by Fosun High Tech (as a limited partner) and RMB1.7 million shall be contributed by Ningbo Xingyao (as a limited partner).

   As Fosun High Tech is the controlling shareholder of the Company, Fosun High Tech and its associates constitute connected persons of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transaction contemplated under the Dalian Partnership Agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

9. As disclosed in the announcement of the Company dated 9 December 2021, on 9 December 2021, the Company, Fujian Fund, Fosun High Tech, Tianjin Fuyao and Tianjin Xingyao entered into the Capital Reduction Agreement, pursuant to which all partners of Tianjin Xingyao agreed to reduce the capital contribution in proportion to their respective partnership interest in Tianjin Xingyao in cash. Upon the completion of the Capital Reduction, the total subscribed and paid-in capital contribution of Tianjin Xingyao will be decreased from RMB10 million to RMB5 million, while the percentage of aggregate partnership interest in Tianjin Xingyao held by the Company and Fujian Fund will remain unchanged, representing 45.4% of the total partnership interest in Tianjin Xingyao.

   As Fosun High Tech is the controlling shareholder of the Company, Fosun High Tech and its associates constitute connected persons of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transactions contemplated under the Capital Reduction Agreement constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

10. As disclosed in the announcements of the Company dated 9 December 2021 and 17 December 2021, on 9 December 2021, Fosun High Tech, the controlling shareholder of the Company, and Fosun Pharmaceutical Industrial, a subsidiary of the Company, entered into the Equity Transfer Agreement, pursuant to which Fosun High Tech agreed to sell and Fosun Pharmaceutical Industrial agreed to purchase an 87% equity interest in Shanghai Xingchuang Health Technology Co., Ltd.* (上海星創健康科技有限公司) held by Fosun High Tech for a consideration of RMB4 million in cash. Upon completion of the transactions contemplated under the Equity Transfer Agreement, Shanghai Xingchuang Health Technology Co., Ltd. shall become a subsidiary of the Company.

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

11. As disclosed in the announcements of the Company dated 9 December 2021 and 24 December 2021, on 9 December 2021, Fosun Industrial, a subsidiary of the Company, entered into the Share Transfer Agreement with Windgothenburg (HK) Limited, pursuant to which Windgothenburg (HK) Limited agreed to sell and Fosun Industrial agreed to purchase 45% equity interest in Fosun Medical Holdings AB held by Windgothenburg (HK) Limited for a cash consideration of US$28.7 million. Upon completion of the transactions contemplated under the Share Transfer Agreement, Fosun Industrial shall hold 100% equity interest in Fosun Medical Holdings AB.

As Windgothenburg (HK) Limited is a subsidiary of Fosun International, the controlling shareholder of the Company, Windgothenburg (HK) Limited constitutes a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules. Therefore, the transaction contemplated under the Share Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

12. As disclosed in the announcement of the Company dated 28 December 2021, on 28 December 2021, Fosun Health, a subsidiary of the Company entered into the Capital Increase Agreement with Xingshuangjian Investment, SFHIH and Zhuorui Outpatient in relation to the capital increase in Zhuorui Outpatient in an aggregate amount of RMB20 million to be made in proportion to their respective shareholdings in Zhuorui Outpatient. In particular, Fosun Health agreed to make capital contribution in the amount of RMB10.2 million to subscribe for the additional registered capital of Zhuorui Outpatient of RMB10.2 million and each of Xingshuangjian Investment and SFHIH agreed to make capital contribution in the amount of RMB4.9 million to subscribe for additional registered capital of Zhuorui Outpatient of RMB4.9 million, respectively.

    As Zhuorui Outpatient is held indirectly by Fosun High Tech, the controlling shareholder of the Company, through Xingshuangjian Investment and SFHIH, in aggregate as to 49%, Zhuorui Outpatient constitutes an associate of Fosun High Tech, and hence a connected person of the Company. Therefore, the transactions contemplated under the aforesaid Capital Increase Agreement constitute connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

(B) Non-exempt Continuing Connected Transactions

1. As disclosed in the announcements of the Company dated 9 June 2021, 23 August 2021 and 24 November 2021, on 9 June 2021, the Company and CQ Pharma Holdings entered into the Mutual Supply Agreement in relation to the supply of sales products and the purchase of procurement products, and the provision of services between the Group and CQ Pharma Holdings and its subsidiaries, for a term of 1 year commencing from 1 January 2021 to 31 December 2021.

    On 23 August 2021, in order to satisfy the demand of further business cooperation between the Group and CQ Pharma Holdings during the second half of 2021, which was expected to incur additional transactions to purchase transactions between the Group and CQ Pharma Holdings under the Mutual Supply Agreement, and as the Board envisaged that the original purchase transaction annual cap will not be sufficient to fulfil the additional transactions that may take place under the Mutual Supply Agreement for the year ended 31 December 2021, the Board therefore increased the purchase transaction annual cap from RMB35 million to RMB200 million.

    On 24 November 2021, in order to satisfy the demand of further aforesaid relevant business cooperation between the Group and CQ Pharma Holdings during the fourth quarter of 2021, which was expected to incur additional transactions to sales transactions and CQ Pharma Holdings services between the Group and CQ Pharma Holdings under the Mutual Supply Agreement, and as the Board envisaged that the original annual caps for sales transactions and CQ Pharma Holdings services will not be sufficient to fulfil the amount of relevant transactions that may take place under the Mutual Supply Agreement for the year ended 31 December 2021, the Board therefore increased the Sales transaction annual cap and CQ Pharma Holdings services annual cap from RMB600 million and RMB10 million to RMB750 million and RMB15 million, respectively.

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

2. As disclosed by the announcement of the Company dated 9 June 2021, on 9 June 2021, the Company and Fosun International entered into the Lessee Framework Agreement in relation to the lease of the relevant Fosun International Premises to the relevant members of the Group, as tenant, for a term of 1 year commencing from 1 January 2021 to 31 December 2021. On the same date, the Company and Fosun International entered into the Lessor Framework Agreement in relation to the lease of the relevant Fosun Pharma Premises by the relevant members of the Group, as lessor, for a term of 1 year commencing from 1 January 2021 to 31 December 2021.

   As Fosun International is the controlling shareholder of the Company, Fosun International is a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transactions contemplated under the aforesaid Lessee and Lessor Framework Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

3. As disclosed by the announcement of the Company dated 9 June 2021, on 9 June 2021, the Company and Fosun International entered into the Mutual Supply Framework Agreement in relation to the mutual supply of products and provision of services between the Group and Fosun International Group and/or its associates, for a term of 1 year commencing from 1 January 2021 to 31 December 2021.

   As Fosun International is the controlling shareholder of the Company, Fosun International is a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transactions contemplated under the above-mentioned Mutual Supply Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

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

   Xuzhou Investment Fund, Fuyao Yingchuang and Fujian Fund entered into the Xuzhou Fund Management Agreement, pursuant to which Fujian Fund will be the fund manager of Xuzhou Investment Fund and will provide fund management services commencing from 1 January 2022 and ending on 31 December 2024. Xuzhou Fund Management Agreement was entered into in January 2022.

   As Fosun High Tech is the 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. As Fujian Fund is a company owned by the Company and Fosun High Tech as to 60% and 40%, respectively, Fujian Fund constitutes a connected subsidiary of the Company under Rule 14A.16 of the Hong Kong Listing Rules and a connected person under the Hong Kong Listing Rules. Therefore, the transactions contemplated under the aforesaid Anji Fund Management Agreement and Xuzhou Fund Management Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

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

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

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

6 As disclosed in the announcement of the Company dated 28 December 2020, on 28 December 2020, subsidiaries Nanjing Fuxin and Xingjian Ruiying entered into the Xingjian Ruiying management agreement with Fujian Fund. Fujian Fund shall be engaged as the fund manager of Xingjian Ruiying and provided fund management services for a term from 1 January 2021 and expiring on 31 December 2023.

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

7. As disclosed in the announcements of the Company dated 30 July 2019 and 21 October 2019 and the circular dated 3 September 2019, on 30 July 2019, the Company entered into the renewed financial services agreement with Fosun Finance (as service provider) in order to renew the financial services agreement, which was expired on 31 December 2019, for a term of three years commencing from 1 January 2020 and ending on 31 December 2022.

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

8. As disclosed in the announcements of the Company dated 20 December 2017 and 11 July 2018, on 11 July 2018, Zhuorui Outpatient entered into a supplemental agreement to the lease agreement with Zhengda Real Estate[1] and revised the annual cap, pursuant to which, Zhuorui Outpatient (as lessee) agreed to rent the properties of the Bund International Finance Services Centre located at Huangpu District, Shanghai from Zhengda Real Estate (as lessor) for a term of 36 months commencing from 1 July 2018 to 30 June 2021 (both days inclusive).

[1] Zhengda Real Estate has been renamed as Shanghai Fosun Bund Property

As 50% of the equity interests of Zhengda Real Estate is indirectly owned by Fosun International, one of the controlling shareholders of the Company, Zhengda Real Estate constitutes an associate of Fosun International, and Zhengda Real Estate constitutes a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transactions contemplated under such supplement agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

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

Certain details of the continuing connected transactions during the year ended 31 December 2021 are summarized in the table below.

Connected persons	**Type of the Transaction**	**Actual amount of Transaction 2021** RMB	**Annual cap for the Transaction 2021** RMB
Shanghai Fosun Bund Property *(Note 1)*	Leasing of premises and receiving property management services by Zhuorui Outpatient from Shanghai Fosun Bund Property	3,978,780	10,200,000
Fosun International and its associates	Leasing of premises and receiving property management services by the Group from Fosun International and its associates	30,973,129	50,000,000
	Leasing of premises by the Group to Fosun International and its associates	7,098,226	30,000,000
		42,050,135	**90,200,000** *(Note 2)*

Note 1: According to the Company's announcements dated 20 December 2017 and 11 July 2018, the agreement has been terminated on 30 June 2021. The actual amount of transaction refers to the actual transaction amount occurred during the period from 1 January 2021 to 30 June 2021, and the annual cap is the revised annual cap of the lease agreement for the 12 months from 1 July 2020 to 30 June 2021. Under Chapter 14A of the Hong Kong Listing Rules, these transactions are aggregated in terms of the classification of connected transactions.

Note 2: According to the announcement of the Company dated 9 June 2021, the transactions in respect of leasing of premises and property management services between the Group and its associates are similar in nature and were entered into with the same party, being associate of Mr. Guo Guangchang, the controlling shareholder of the Company. They are aggregated for the purpose of classification of connected transactions in accordance with Rule 14A.81 of the Hong Kong Listing Rules. The aggregate amount of annual cap is RMB90,200,000.

Connected persons	Type of the Transaction	Actual amount of Transaction 2021 RMB	Annual cap for the Transaction 2021 RMB
Fosun International and its associates	The Group's acceptance of the services provided by Fosun International and its associates	27,486,758	120,000,000
	The purchase of products by the Group from Fosun International and its associates	26,696,368	250,000,000
	The provision of services by the Group to Fosun International and its associates	13,553,670	50,000,000
	The sales of products by the Group to Fosun International and its associates	14,322,115	200,000,000
		82,058,911	**620,000,000**

Connected persons	Type of the Transaction	Actual amount of Transaction 2021 RMB	Annual cap for the Transaction 2021 RMB
Fosun Finance	Provision of financial services by Fosun Finance to the Group:		
	(a) Maximum daily outstanding balance of loans granted by Fosun Finance to the Group	176,376,555	1,000,000,000
	(b) Maximum daily outstanding balance of deposits placed by the Group with Fosun Finance	993,248,692	1,000,000,000
	(c) Fees and charges paid by the Group to Fosun Finance for settlement services and other financial services	—	1,000,000

Connected persons	Type of the Transaction	Actual amount of Transaction 2021 RMB	Annual cap for the Transaction 2021 RMB
CQ Pharma Holdings	Sales of products by the Group to CQ Pharma Holdings and its subsidiaries	749,624,283	750,000,000
	Purchase of products by the Group from CQ Pharma Holdings and its subsidiaries	148,543,585	200,000,000
	The provision of services by the Group to CQ Pharma Holdings and its subsidiaries	—	300,000
	The provision of services by the Group from CQ Pharma Holdings and its subsidiaries	8,771,252	15,000,000
		906,939,120	965,300,000

Connected persons	Type of the Transaction	Actual amount of Transaction 2021 RMB	Annual cap for the Transaction 2021 RMB
Fujian Fund	Provision of fund management services by Fujian Fund to Suzhou Fund	9,635,869	10,000,000
	Provision of fund management services by Fujian Fund to Tianjin Fund	4,877,557	5,000,000
	Provision of fund management services by Fujian Fund to Xingjian Ruiying Fund	17,994,654	30,000,000
		32,508,080	**45,000,000**

The Board (including independent non-executive Directors) has reviewed the continuing connected transactions as described above and confirmed that in 2021, such transactions have been entered into:

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

(ii) on normal commercial terms or better; and

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

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

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

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

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

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

RELATED PARTY TRANSACTIONS

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

NON-COMPETITION UNDERTAKING

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

SUBSEQUENT EVENTS

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

THE MODEL CODE AND THE WRITTEN CODE

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

COMPLIANCE WITH THE CG CODE

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

Further information on the corporate governance practices of the Company is set out in the Corporate Governance Report on pages 94 to 104 of this annual report.

AUDIT COMMITTEE

On 11 June 2021, Mr. Jiang Xian retired as an independent non-executive Director and a member of the Audit Committee. At the forty-third meeting of the eighth session of the Board, the appointment of Mr. Wang Quandi, an independent non-executive Director, as an additional member of the Audit Committee of the eighth session of the Board was approved.

On 9 November 2021, Mr. Gong Ping resigned as a non-executive Director and a member of the Audit Committee due to change in work arrangement. At the fifty-sixth meeting of the eighth session of the Board, the appointment of Ms. Li Ling, an independent non-executive Director, as a member of the Audit Committee of the eighth session of the Board was approved.

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

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 2021 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
22 March 2022

Supervisory Committee Report

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

In 2021, the eighth session of the Supervisory Committee carried out the work diligently, lawfully and efficiently in accordance with the Articles of Association and the Rules of Procedures for the Supervisory Committee's Meeting (監事會議事規則):

Supervisors attended and participated in the discussions of relevant board meetings, and held 7 Supervisory Committee Meetings in 2021. Details are as follows:

1. On 12 March 2021, the Company convened the first meeting of the eighth session of the Supervisory Committee in 2021 (a special meeting) to review and approve the resolutions in relation to Shanghai Fosun Pharmaceutical (Group) Co., Ltd. 2021 Restricted Shares Incentive Plan (Draft) and its abstracts, Assessment and Management Measures of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. 2021 Restricted Shares Incentive Plan and Participants List of the Initial Grant of 2021 Restricted Shares Incentive Plan.

2. On 29 March 2021, the Company convened the second meeting of the eighth session of the Supervisory Committee in 2021 (a regular meeting) to review and approve the 2020 Annual Report, the Working Report of the Supervisory Committee for 2020, the Special Report of the Placement and Actual Use of the Proceeds in 2020 and the 2020 Internal Control Self-Assessment Report of the Group.

3. On 6 April 2021, the Company convened the third meeting of the eighth session of the Supervisory Committee in 2021 (a special meeting) to review and approve the resolutions in relation to adjusting the non-public issuance of A shares plan, amending the non-public issuance of A shares plan, amending the feasibility analysis report on the use of funds raised from non-public issuance of A shares and amending the immediate return for dilution caused by the non-public issuance of A shares and related remedial measures.

4. On 26 April 2021, the Company convened the fourth meeting of the eighth session of the Supervisory Committee in 2021 (a regular meeting) to review and approve the 2021 First Quarterly Report of the Group.

5. On 17 June 2021, the Company convened the fifth meeting of the eighth session of the Supervisory Committee in 2021 (a special meeting) to review and approve the report on the use of funds raised in the previous period.

6. On 23 August 2021, the Company convened the sixth meeting of the eighth session of the Supervisory Committee in 2021 (a regular meeting) to review and approve the 2021 Interim Report of the Group, the first half of 2021 Internal Control Self-Assessment Report of the Group and the Special Report of the Placement and Actual Use of the Proceeds in the first half of 2021 and of the Group.

7. On 26 October 2021, the Company convened the seventh meeting of the eighth session of the Supervisory Committee in 2021 (a regular meeting) to review and approve the 2021 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 the operation of the Company has 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 has been in compliance with the laws, and the Company has established a relatively comprehensive internal control system; and that the Directors and senior management of the Company, in discharging their duties, have not violated any law, regulation or the Articles of Association, nor have 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 agreed with the audit opinion issued by Ernst & Young Hua Ming LLP and Ernst & Young on the 2021 annual financial report of the Group, and that the financial report of the Group has given a true and fair view of the financial position and the operating results 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 is not aware of any insider dealing or any act that is prejudicial to the interests of Shareholders or resulting in any loss of assets of the Group.

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

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

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

The Supervisory Committee has reviewed the 2021 Internal Control Self-Assessment Report of the Group, and considers that the Group has established an appropriate internal control system in all material respects and 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
22 March 2022

Corporate Governance Report

The Board hereby presents to the Shareholders the corporate governance report of the Group for the year ended 31 December 2021 (the "Corporate Governance Report").

CORPORATE GOVERNANCE PRACTICES

As a company whose shares are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the Company has remained in strict compliance with the Articles of Association, relevant laws and regulations, the Shanghai Listing Rules and Hong Kong Listing Rules. The Company seeks to continually improve its corporate governance structure, and to optimize its internal management and control and corporate operations in order to improve the Company's corporate governance.

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

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

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

Under the Code Provision C.2.1, the roles of chairman and chief executive officer should be separate and not performed by the same individual. On 29 October 2020, Mr. Chen Qiyu ceased to serve as an executive Director and the chairman of the Board of the Company. On the same day, the Board announced the election of executive director Mr. Wu Yifang ("Mr. Wu") as the chairman of the Board. Mr. Wu joined the Group in April 2004 and has been successively serving in key positions in management and operation of subsidiaries of the Company and the Company. Although Mr. Wu serving as both the chairman of the Board and chief executive officer will deviate from Code Provision C.2.1, his familiarity with the business operation of the Group and the role of the chairman of the Board and chief executive officer vested in him can facilitate the implementation of business strategies of the Group. Further, the Board considered that the current structure will not impair the balance of power and authority between the Board and the management of the Group. The Board will make decisions on important matters of the Company within the authority granted by the Articles of Association and Shareholders at the general meetings. Meanwhile, as at the end of the Reporting Period, the Board (comprises three executive Directors, four non-executive Directors and four independent non-executive Directors and thus the total number of non-executive Directors (including non-executive Directors and independent non-executive Directors) is greater than that of executive Directors) is appropriately structured with a balance of power to provide sufficient checks to protect the interests of the Company and the Shareholders as a whole. Accordingly, the Board considers that the deviation from the Code Provision C.2.1 is appropriate in such circumstances.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiries have been made to all the Directors and the Directors have confirmed that they have 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 was noted by the Company.

BOARD OF DIRECTORS

As at the end of the Reporting Period, the Board constituted eleven members, including three 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 and chief executive officer)*
Mr. Wang Kexin (王可心) *(Vice-Chairman)*
Ms. Guan Xiaohui (關曉暉) *(Vice-Chairman)*

Non-executive Directors:

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

Independent non-executive Directors:

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

Notes:

On 11 June 2021, Mr. Jiang Xian and Dr. Wong Tin Yau Kelvin retired as independent non-executive Directors.

At the annual general meeting of the Company held on 11 June 2021, Mr. Wang Quandi and Mr. Yu Tze Shan Hailson were appointed as independent non-executive Directors.

On 9 November 2021, Mr Gong Ping and Mr. Zhang Houlin resigned as non-executive Directors.

At the 3rd extraordinary general meeting of the Company in 2021 held on 7 December 2021, Mr. Wang Kexin and Ms. Guan Xiaohui were appointed as executive Directors.

On 4 January 2022, Mr. Wang Kexin and Ms. Guan Xiaohui were appointed as vice chairmen of the eighth session of the Board.

Biographical information of the Directors is set out on pages 162 to 165 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

Mr. Wu Yifang, the chairman of the Board and chief executive officer, provides leadership and is responsible for the effective functioning and leadership of the Board. He is also responsible for the Group's business development and daily management and operations generally. Mr. Wu Yifang ensures that the Board maintains effective operation to perform its functions and discuss all important and appropriate matters in a timely manner. Mr. Wu Yifang must also ensure that all Directors have been formally notified of the matters to be discussed at the Board meetings.

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 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

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

Responsibilities, Accountabilities and Contributions of the Board and 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 success 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. The Directors may, 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 Company. Responsibilities relating to implementing decisions of the Directors, directing and coordinating the daily operation and management of the Company 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 Company. 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.

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 Company and full awareness of his/her responsibilities and obligations under the Hong Kong Listing Rules and relevant laws and regulations.

All Directors have 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 2021, 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 reading materials including a directors' manual 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 2021 is set out in the table on page 100 of this annual report.

BOARD COMMITTEES

As at the end of the Reporting Period, Board has 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 Company'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 specialized Board committee (except the Strategic Committee) are independent non-executive Directors and the list of the chairman and members of each specialized Board committee is set out under "Corporate Information" on page 4 of this annual report.

Strategic Committee

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

In 2021, the Strategic Committee held one meeting to research and advise on the strategic planning of the Group's 2021-to-2031 period and medium and long-term development.

Audit Committee

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

In 2021, the Audit Committee held 16 meetings to review periodic reports, audit plan, internal controls, major and ongoing related party/connected transactions, and make recommendations to the Group on strengthening the internal control system.

In 2021, the Audit Committee also held 2 meetings with the external auditors without the presence of the executive Directors.

Nomination Committee

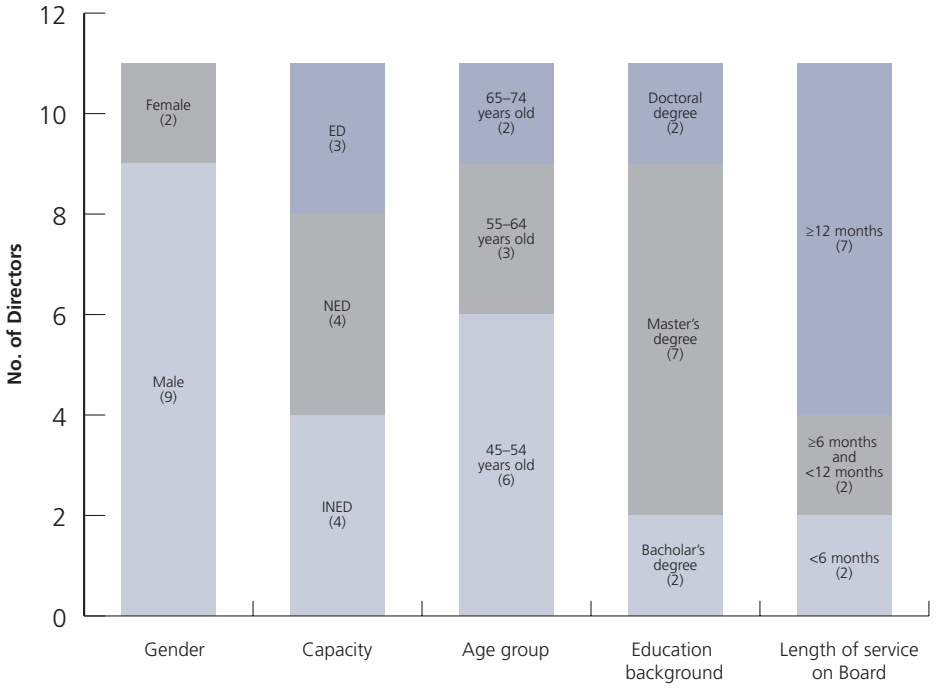
The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors and senior management, making recommendations to the Board on the appointment and succession planning of Directors, 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 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 Company's requirements 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 Company's needs and other relevant statutory requirements and regulations.

The Company has committed to provide equal opportunities in different aspects of its operations. In August 2013, the Company adopted the Board Diversity Policy (the "Policy"), which has been made available on the Company's website. The Nomination Committee, in nominating and appointing new Board members, shall consider a range of diversity perspectives pursuant to the Policy, including but not limited to gender, age, culture and education background, professional experience, skills, knowledge and term of service, and make the final decision based on the merits and contribution that the candidate will bring to the Board. The Nomination Committee will review the Policy from time to time to ensure its continued effectiveness.

In 2021, the Nomination Committee held 5 meetings to discuss, approve and make recommendations to the Board on matters relating to the selection of Directors and senior management of the Company. The Nomination Committee considered an appropriate balance of diversity of the Board had been maintained.

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



Remuneration and Appraisal Committee

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

In 2021, the Remuneration and Appraisal Committee held 2 meetings to review and make recommendations to the Board on the performance appraisal and remuneration packages of the executive Directors and senior management of the Company during the prior year, the 2021 Restricted Shares Incentive Plan (Draft) and its Assessment and Management Measures of the Company.

Environmental, Social and Governance Committee

The primary functions of the Environmental, Social and Governance Committee (the "ESG Committee") include the formulation of the environmental, social and governance vision, targets, strategies and structure and reviewing the implementation of the environmental, social and governance 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, review the progress of the fulfillment of ESG goals, and make recommendation on improvement for ESG efforts in the next phase.

In 2021, the ESG Committee held 3 meetings to review the 2020 ESG reports and 2021 ESG working reports of the Group, reviewing the 2nd five year environmental-protection targets and supervising its implementation status, and making advices 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 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, 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 and Board committee meetings of the Company held for the year ended 31 December 2021 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 Director								
Mr. Wu Yifang	28/28	1/1(M)				3/3(M)	6/6	✓
Mr. Wang Kexin[2]	3/3						0/0	✓
Ms. Guan Xiaohui[2]	3/3						0/0	✓
Non-executive Directors								
Mr. Chen Qiyu	28/28	1/1(C)			2/2(M)		0/6	✓
Mr. Yao Fang	28/28	1/1(M)					0/6	✓
Mr. Xu Xiaoliang	28/28	1/1(M)					0/6	✓
Mr. Pan Donghui	28/28			5/5(M)	2/2(M)		0/6	✓
Mr. Gong Ping[3]	23/23		12/12(M)				0/6	✓
Mr. Zhang Houlin[4]	23/23						0/6	✓
Independent Non-executive Directors								
Ms. Li Ling	28/28	1/1(M)	4/4(M)	5/5(M)		3/3(M)	3/6	✓
Mr. Tang Guliang	28/28		16/16(C)		2/2(M)		3/6	✓
Mr. Wang Quandi[5]	18/18		9/9(M)	2/2(C)	0/0(M)		1/2	✓
Mr, Yu Tsz Shan Hailson[6]	18/18				0/0(C)	2/2(C)	0/2	✓
Mr. Jiang Xian[7]	10/10		7/7(M)	3/3(C)	2/2(M)		4/4	✓
Dr. Wong Tin Yau Kelvin[8]	10/10				2/2(C)	1/1(C)	0/4	✓

Notes:

(1) During the Reporting Period, the Company held a total of 6 general meetings, including 1 annual general meeting, 3 extraordinary general meetings and 1 class meeting of A shareholders and 1 class meeting of H shareholders.

(2) Mr. Wang Kexin and Ms. Guan Xiaohui were appointed as executive Directors at the 3rd extraordinary general meeting of 2021 of the Company. During their term of office in the Reporting Period, each of them was required to attend 3 meetings of the Board and 0 general meeting.

(3) Mr. Gong Ping resigned as a non-executive Director on 9 November 2021. During his term of office in the Reporting Period, he was required to attend 23 meetings of the Board, 12 meetings of the Audit Committee and 6 general meetings/class meetings.

(4) Mr. Zhang Houlin resigned as a non-executive Director on 9 November 2021. During his term of office in the Reporting Period, he was required to attend 23 meetings of the Board and 6 general meeting/class meetings.

(5) Mr. Wang Quandi was appointed as an independent non-executive Director of the Company at the 2020 annual general meeting. During his term of office in the Reporting Period, he was required to attend 18 meetings of the Board, 9 meetings of the Audit Committee, 2 meetings of the Nomination Committee, 0 meeting of the Remuneration and Appraisal Committee and 2 general meetings.

(6) Mr. Yu Tze Shan Hailson was appointed as an independent non-executive Director of the Company at the 2020 annual general meeting. During his term of office in the Reporting Period, he was required to attend 18 meetings of the Board, 0 meeting of the Remuneration and Appraisal Committee, 2 meetings of the ESG Committee and 2 general meetings.

(7) Mr. Jiang Xian retired as an independent non-executive Director of the Company from 11 June 2021. During his term of office in the Reporting Period, he was required to attend 10 meetings of the Board, 7 meetings of the Audit Committee, 3 meetings of the Nomination Committee, 2 meetings of the Remuneration and Appraisal Committee and 4 general meetings/class meetings.

(8) Dr. Huang Tin Yau Kelvin was retired as an independent non-executive Director of the Company from 11 June 2021. During his term of office in the Reporting Period, he was required to attend 10 meetings of the Board, 2 meetings of the Remuneration and Appraisal Committee, 1 meeting of the ESG Committee and 4 general meetings/class meetings.

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

During the year ended 31 December 2021, 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 2021. 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 172 to 178.

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 2021 amounted to RMB4.76 million. There is no remuneration paid to external auditors in respect of 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 Company'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 resources, staff qualifications and experience, training programs and budget of the Group's accounting and financial reporting function.

The Board believes that existing internal control system is adequate and effective.

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 is Ms. Dong Xiaoxian, who is 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 trainings.

RIGHTS OF SHAREHOLDERS

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

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

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

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

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

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

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

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

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

(2) Proposals of General Meetings

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

(3) Putting Forward Enquiries to the Board

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

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

(4) Primary Contact Persons

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

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

Environmental, Social and Governance Report

ABOUT THIS REPORT

After the issuance of the Corporate Social Responsibility Reports for 13 consecutive years, we came to realize that, with the international enhanced awareness of environmental, social and governance (hereinafter referred to as "ESG"), the capital market is more likely to comply with ESG investment and ESG capability will be taken as an important indicator in the evaluation of corporate values. This ESG Report is hereby disclosed in response to the Group's focus on the environment, society and governance.

BASIS OF PREPARATION

This report is prepared in accordance with the ESG Reporting Guide as set out in Appendix 27 to the Listing Rules of The Stock Exchange of Hong Kong Limited (hereinafter referred to as "Hong Kong Stock Exchange ESG Reporting Guide") and the Company complies with the "comply or explain" provisions set out in the Hong Kong Stock Exchange ESG Reporting Guide during the Reporting Period. In response to the concerns of investors with the ESG performance of the Group (hereinafter referring to Fosun Pharma and its subsidiaries), this report also refers to and responds to the issues concerned by Morgan Stanley Capital International ESG rating (i.e. MSCI ESG rating).

Fosun Pharma also simultaneously released the 2021 Corporate Social Responsibility Report (hereinafter referred to as "CSR Report") to acquaint shareholders with more detailed information related to the social responsibility and sustainable development of the Group.

Scope and Boundaries of Report

The scope of disclosure of this report is consistent with that of the financial information in Fosun Pharma's 2021 Annual Report of A & H shares.

Data Source and Reliability Assurance

The data and cases contained herein are mainly from the statistical report and relevant documents of the Group. Fosun Pharma 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.

Confirmation and Approval

This Report was adopted by the Board of Directors of Fosun Pharma on 22 March 2022 upon confirmation by the management.

Access to and Feedback of this Report

For an environmentally friendly option, we suggest you to read the electronic version of the Report, which can be obtained from the official website of Fosun Pharma .

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

Contact Information

Email: ir@fosunpharma.com
Address: Building A, 1289 Yishan Road, Shanghai, China

1. CORPORATE GOVERNANCE

The Group adheres to the principle of legal and compliant corporate operation, strictly abides by the laws and regulations of the operating locations, builds a solid governance structure, and continuously improves the level of corporate governance. Based on the compliant operation, the Group continuously strengthens our ESG governance, comprehensively improves the ESG performance of the Company from the three dimensions of environment, society and governance, optimizes our ESG management system, implements various ESG work, and supports the Company to achieve sustainable development.

1.1 Governance Structure

1.1.1 Specialization and Diversity

In strict compliance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and other laws and regulations, the Guidelines for Corporate Governance of Listed Companies, as well as various rules and normative documents for listing in Shanghai and Hong Kong, the Group has formulated several corporate governance documents such as the Articles of Association of Shanghai Fosun Pharmaceutical (Group) Co., Ltd., and the Company established a relatively complete corporate governance structure which covered the powers and responsibilities of corporate governance, so as to ensure the orderly operation of the Company. According to the relevant requirements of laws and regulations, and in consideration of the development needs of the Company, the Group has established several professional committees to be responsible for various corporate governance, including the Strategy Committee, Audit Committee, Nomination Committee, Remuneration and Appraisal Committee, and Environmental, Social and Corporate Governance Committee. Each committee has clear terms of reference and implementation rules to ensure the efficient implementation of various management functions. The Group regards ESG performance as one of the performance appraisal dimensions of the management team, which is linked to the remuneration of the management team, and takes reward and punishment measures according to the annual ESG performance, gradually integrating the ESG management philosophy with the corporate operation philosophy. The Board of Directors, being the core governance body of the Group and one of the important decision makers in corporate operations, provides key leadership in corporate development and governance. When nominating and appointing members of the Board of Directors, candidates will be comprehensively considered based on the legal compliance of candidates' biographies, in combination with their professional backgrounds, personal qualifications, biographies and experience, industry position and fitness to our business, to ensure the professionalism and a high match between directors and the Company. As at the end of the Reporting Period, the Board of Directors of Fosun Pharma consisted of a total of 11 directors, of which four independent non-executive directors were professionals in the fields of accounting, law, management and strategy.

We firmly believe that diverse leadership is the key force to support the sustainable development of the Company. Therefore, Fosun Pharma continues to pay attention to the diversified development of the Board of Directors on the basis of the established director structure featuring compliance and professionalism. We have formulated the Board Diversity Policy, which clearly states that various factors of board diversity shall be considered upon selection and recruitment, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

1.1.2 ESG Governance

ESG governance is an important part of corporate governance, and it is also a determining factor for the Company to achieve sustainable development. Through the establishment of the Environmental, Social and Governance Committee of the Board of Directors (the "ESG Committee"), the Group clarifies various functions and responsibilities in the ESG framework, further improves the corporate governance framework and enhances the ESG governance capabilities. In order to illustrate that the ESG Committee implements various ESG work in an orderly and standardized manner, we have formulated the Scope of Authority and Implementation Rules of the ESG Committee of the Board of Directors, which clearly defines the composition of personnel, the authority of responsibility, decision-making procedures and the rules of procedure and other related matters. Under the ESG Committee, we have set up an ESG workgroup to implement the daily ESG management.

Board Statement

Board Responsibilities

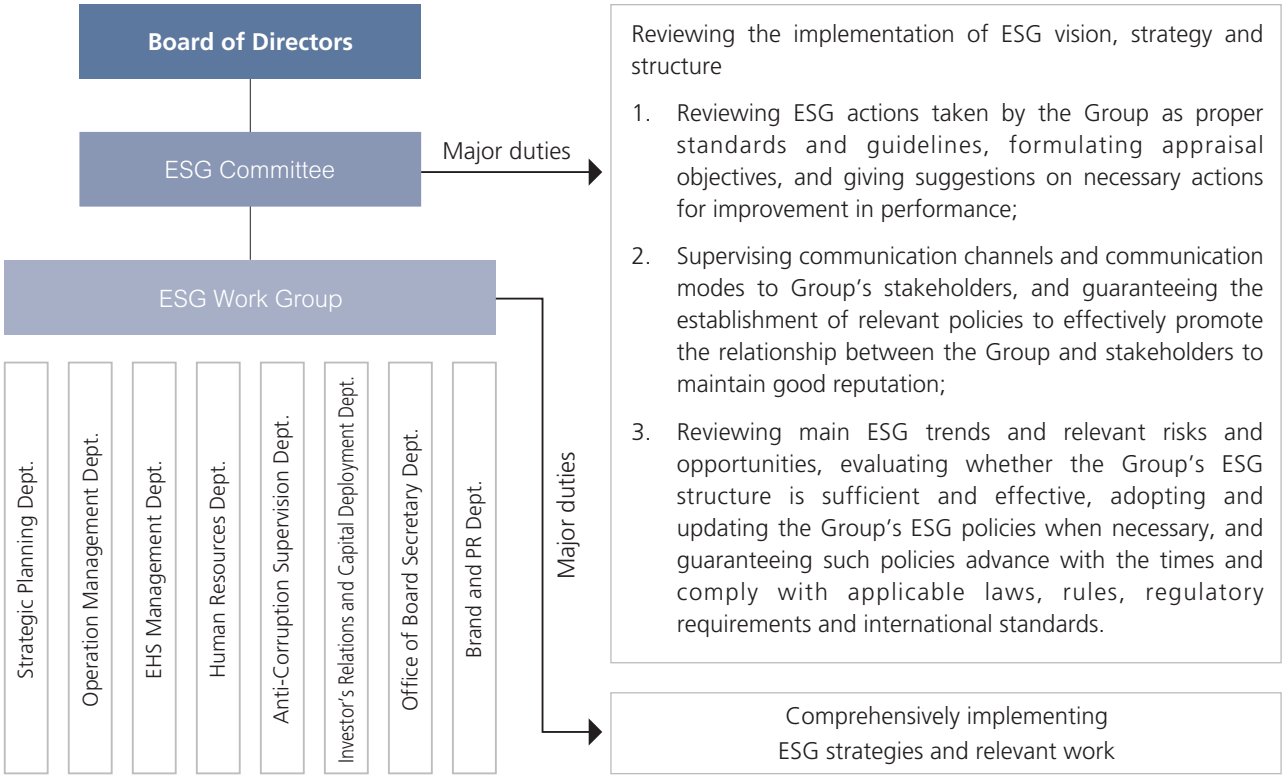
As the highest responsible body for the management and public disclosure of ESG matters of the Group, the Board of Directors assumes the ultimate responsibility. In order to better implement the supervision of ESG matters, the ESG Committee under the Board of Directors guides and supervises the implementation of ESG-related management policies by the Group. The ESG Committee holds regular meetings to review and approve the Group's ESG-related objectives, supervise and review the ESG-related policies, management, performance and progress towards the achievement of objectives, and review and approve the public disclosure of ESG-related performance.

Risk Management

The Board of Directors is responsible for resolving on the relevant risks and importance of ESG matters of the Group. The ESG Committee is responsible for evaluating and reviewing ESG risks and opportunities, providing recommendations to the Board of Directors and formulating corresponding countermeasures. In 2021, the Group identified the risks of climate change. Based on the identification results, the ESG Committee reviewed the risks of climate change of Fosun Pharma.

Daily ESG Management

The ESG workgroup under the ESG Committee of the Board of Directors fully implements the Group's ESG strategy and integrates ESG management into daily operations. In 2021, the Group focused on the formulation of the second five-year environmental protection strategic objectives. The ESG Committee reviewed and approved the objectives and the corresponding action plans, and would continue to monitor and review the progress of the implementation of the objectives.



ESG Governance Structure

Material ESG Issues

The Group maintains close communication with internal and external stakeholders, regularly identifies and evaluates ESG issues, and determines the importance and priority of the identified issues. The ESG Committee reviews and approves the identification, evaluation and prioritization of material issues, ensures the formulation of strategies and visions for the systematically rationalized ESG issues, and urges the Group to continuously improve its ESG performance to meet the requirements and expectations of stakeholders.

1.2 Risk Control

1.2.1 Internal control management

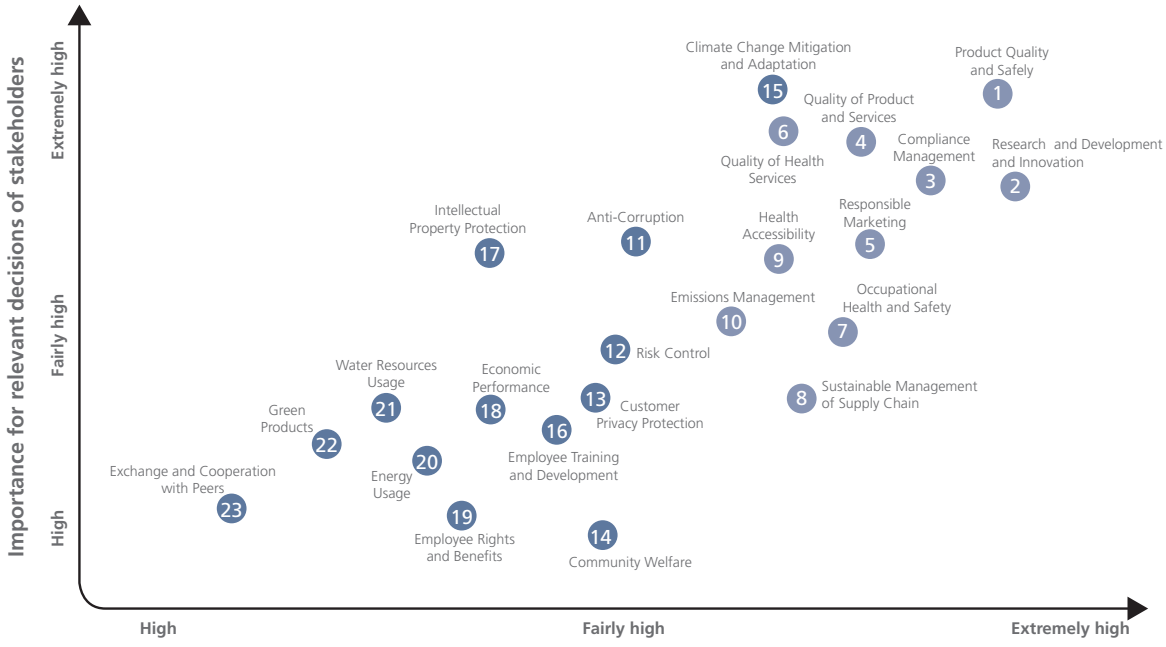
Risk control is an important part of corporate governance. Being conscious of risk prevention and control, deploying strict internal control work, and improving risk response capabilities are the decisive factors for the Company to improve its governance level. Fosun Pharma has formulated the Internal Control Manual in accordance with laws, regulations and regulatory requirements, covering all operating entities including the headquarters and subsidiaries. The Internal Control Manual consists of three documents, namely the General Provisions, the Company Level Internal Control Management Process and the Internal Control Self-Assessment Manual.

The Group has established an internal control management structure with a clear division of labor. There are corresponding management organizations to follow up and implement various work, from the establishment of internal control objectives to the actual implementation and supervision of internal control work.

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

1.2.2ESG Risk

Replying on the significant role played by ESG governance structure in ESG governance, combined with the corporate development status and interviews with stakeholders, the Group pays close attention to the impact of ESG risks on corporate operations, analyzes and sorts out material ESG issues, and identifies key ESG issues that have an impact on the environment, society and governance of the Company with reference to the list of material ESG issues of the peers, GRI Standards and the ESG Reporting Guide of the Hong Kong Stock Exchange. The ESG Committee of Fosun Pharma reviews and approves the identification, evaluation and prioritization of material issues, ensures that material ESG issues are incorporated into the Group's risk management framework, and formulates corresponding strategies accordingly.



Material Issues Matrix

1.3 Business Ethics

The Group regards anti-corruption and upholding integrity as the top priority in corporate governance. Adhering to the anti-corruption principle of "investigating every case, learning from the past mistakes to avoid future ones, emphasizing investigation with the priority of prevention and addressing both symptoms and root causes", the Group builds a solid anti-corruption compliance control system of "prevention-detection-remediation", strictly implements anti-corruption work, strengthens the supervision of corporate and individual business ethics, and actively creates a clean corporate culture. The Anti-Corruption Supervision Department of Fosun Pharma is directly managed by the Board of Directors. In accordance with relevant laws and regulations, a total of eight anti-corruption system documents, including the Anti-Corruption Regulations, the Anti-Commercial Bribery Agreement, Provisions on Integrity Administration of Engineering Construction Projects, the Regulations on the Management of Employee Integrity in Practice, the Administrative Measures for Cash and Gifts Received in Official Activities (Trial Implementation) and the Reward, Punishment and Appeal Management System was established, clarifying that the Group opposes various forms of bribery and corruption, and has zero tolerance for corrupt behaviors. The system documents stipulate the business ethics code of conduct that the Company and individuals must abide by, and strictly restrict their business behaviors.

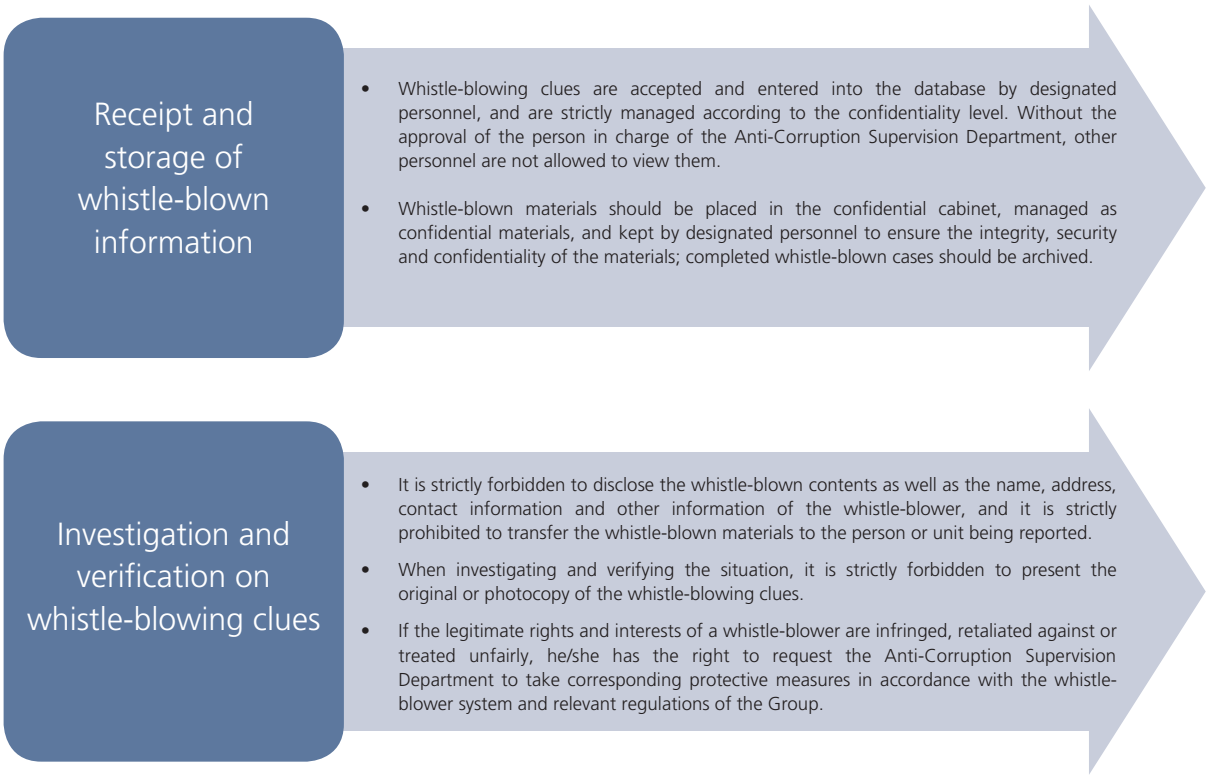
External-partners	Internal-staff
• Suppliers and external partners are required to sign the Anti-Commercial Bribery Agreement as an annex to the contracts. • Bidding suppliers should sign the Integrity Commitment before signing up, promising that there will be no fraudulent behavior during the bidding process, and no illegitimate benefits will be given to the bidding staff.	• Head office employees need to sign the Shanghai Fosun Pharmaceutical (Group) Co., Ltd. Employee Integrity Commitment during induction.

We have set up four lines of defense against corruption and non-compliance with business ethics: the business department, as the first line of defense, strictly abides by the corporate internal system, internal supervision, and regulates its own behavior; the financial department, as the second line of defense, is responsible for the daily financial monitoring and timely detection of abnormal situations; the internal audit department, as the third line of defense, 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; the Anti-Corruption Supervision Department, as the fourth line of defense, is committed to establishing a sound anti-corruption governance system to ensure timely investigation and handling of corruption cases, and create a clean and fair corporate atmosphere.

Anti-corruption and business ethics audit work is mainly in charge by the internal audit department. Every year, the audit department will formulate annual audit plans for different business lines of subsidiaries, and submit the plans to the Board of Directors of Fosun Pharma for review and approval. The anti-corruption and business ethics audit cover all operations of all major subsidiaries every three years. The audit work is carried out in accordance with the applicable laws and regulations and the Internal Control Manual. For the violation of business ethics and corruption identified in each business line, the follow-up investigation will be conducted jointly with the Anti-Corruption Supervision Department.

The Group has established a complete whistle-blowing mechanism, and formulated the Whistle-blowing Management Regulations, the Regulations on Protection and Reward for Whistle-blowers and Witnesses as well as other protection system documents, encouraging active supervision, both internally and externally, and the timely reporting of corrupt acts. The Group has a number of public reporting information delivery channels, including telephone hotlines, official websites, WeChat public accounts, e-mails, letters and office visits. In the anti-corruption and compliance section of Fosun Pharma's official website, we have publicly displayed the operation methods of each whistle-blowing channel to ensure that whistleblowers can convey commercial bribery clues through any channel.

Meanwhile, we strictly protect qualified whistleblowers. In the above system documents, it is clearly stipulated that real-name reporting materials and real-name whistle-blower information must be kept strictly confidential. Investigators must conduct investigations and verifications on the principle of not revealing the identity information of the real-name whistleblowers. Meanwhile, we will not tolerate any retaliator, who will be severely punished if relevant acts are found.



By adopting active review and encouraging whistle-blowing, the Anti-Corruption Supervision Department accepted 30 clues in aggregate and reviewed or investigated all the clues during the Reporting Period. Through case investigation, facts were found out and the relevant responsible persons were held accountable, which strengthened the deterrence of anti-corruption, and at the same time effectively prevented potential risks and avoided major losses of the Company. We cracked two legal cases regarding corrupt practices in which internal employees took advantage of their positions to embezzle the corporate capital and collude bidding with each other. The involved persons were all subject to criminal coercive measures, and the cases were concluded.

For the clean governance supervision and management of bidding projects, the Anti-Corruption Supervision Department participated in the supervision of on-site bid opening for 46 projects in 2021, detecting and suppressing certain non-compliant behaviors, and eliminating some potential risks.

To further build and spread a clean governance culture, and improve the anti-corruption awareness and self-discipline of all employees, the Anti-Corruption Supervision Department of Fosun Pharma regularly conducts business ethics and anti-corruption training for the headquarters and subsidiaries, adopting various methods to effectively transmit the awareness of integrity to the whole group on an integrated basis. In 2021, we carried out publicity and education activities on honesty and integrity as well as on-the-job training for all new recruits (including part-time employees). In the annual training for all employees, the Group also reiterated the requirements on integrity and business ethics. The anti-corruption training of Fosun Pharma and its subsidiaries not only targets all employees, but also covers members of the Board of Directors and the senior management of Fosun Pharma.

During the Reporting Period, Fosun Pharma initiated different lines of special anti-corruption and ethical trainings for its subsidiaries, including centralized procurement anti-corruption training, high risk training and case sharing, etc., and conducted five integrity training sessions for our subsidiaries in aggregate. On the OA system of Fosun Pharma, we have set the portal websites of the Commission for Discipline Inspection and the Anti-Corruption Supervision Department, irregularly update anti-corruption news, cases and laws and regulations on a weekly basis, and actively carry out publicity and education on anti-corruption and integrity. In addition, we have carried out publicity and implementation of anti-corruption awareness among all employees, suppliers and other partners by publishing a special anti-corruption issue of Fosun Pharma News, and producing integrity publicity poster and three-fold leaflets on integrity.

In order to continuously improve anti-corruption governance, Fosun Pharma's Anti-Corruption Supervision Department issues anti-corruption supervision proposals to relevant subsidiaries in respect of management problems discovered during the case investigation process, putting forward rectification opinions, and requiring relevant subsidiaries to implement rectification and give feedback, which plays an active role in establishing rules and regulations, plugging loopholes and preventing risks.

2. PRODUCT RESPONSIBILITY

The Group adheres to the quality policy of "Respect for Life, Focus on Quality, Commitment to Perfection, and Pursuit of Excellence". Quality and accessible products and services are an important commitment to our patients and customers, as well as one of the corporate responsibilities of the Group. Our core principle is strict compliance with GxP[1] regulations, and we have established a management system covering the entire product life cycle, from the pre-development and production to the post-marketing after-sales. Strict control processes are in place at all stages to achieve the effectiveness and efficiency of the product management system.

2.1 Drug Accessibility

2.1.1 R&D and Innovation

Following the R&D concept of "patient-centered, clinical demand-oriented and high-tech-driven", the Group continues to promote R&D and innovation work to strengthen the core drivers for the long-term development of the company. By setting up the global R&D center, it has further strengthened the structure of R&D function of the Group. At the same time, we have initiated a diversified R&D model, optimizing each other's resources through cooperation with external parties, sharing advanced technologies and speeding up the product incubation process.

In 2021, the Group further increased its investment in resources for R&D and innovation to give full support to enhance R&D and innovation capabilities, and at the same time lay a solid foundation for later transformation towards industrialization. The total investment in R&D of the Group during the year was RMB4,975 million. As of 31 December 2021, the number of pipeline innovative drugs, biosimilars, generic drugs and consistency evaluation projects of the Group exceeded 240;

We insist on compliance as the primary principle of R&D work, and have developed the "New Product R&D Management Regulations and Standard Operation Manual (SOP)" according to the relevant industry standards to ensure that all tests in drug research and development meet the requirements of relevant national standards. At the same time, clinical trials involving human beings are in compliance with the quality management standards for drug clinical trials (GCP Standards) and have passed the ethics committee review. Operations involving animal testing are conducted in accordance with the relevant regulations on the management of laboratory animals

The Group has developed "Intellectual Property Strategy for Key Products" to safeguard the Group's innovation and R&D achievements. We strictly abide by the "Corporate Intellectual Property Management Code", and proactively identify IP risks through technical and legal analysis at the start-up of R&D projects, and build intellectual property portfolios for key products to extend product life cycles. During the Reporting Period, a total of 186 patents had been applied for in the pharmaceutical manufacturing segment of the Group, including 35 U.S. patent applications, 26 PCT applications, with 62 licensed invention patents obtained.

[1] GxP (i.e. "Good x Practice") refers to good practices and conventions, including GMP, GAP, etc.

2.1.2 Inclusive Health Care

Promoting accessibility of innovative products

Fosun Pharma Group is committed to promoting innovative products' accessibility and affordability while continuously improving its innovative R&D capabilities. Shanghai Henlius, a subsidiary, launched Han Li Kang® (rituximab injection), the first biosimilar developed and approved for launch according to the Technical Guidelines for R&D and Evaluation of Biosimilars (Trial) (《生物類似藥研發與評價技術指導原則(試行)》) issued in 2015 for treatment of non-Hodgkin lymphoma, chronic lymphocytic leukaemia and Rheumatoid arthritis (RA) indications for which reference rituximab is not yet approved in China, filling the gap in biosimilar in China. As at 31 December 2021, the Group had launched four biosimilars, namely Han Li Kang® (rituximab injection), Han Qu You® (trastuzumab injection), Han Da Yuan® (adalimumab injection) and Han Bei Tai® (bevacizumab injection), providing the market with more quality choices of treatment, reducing financial burden on patients and improving drug accessibility. As of February 2022, Han Li Kang® had benefited more than 100,000 Chinese patients, and Han Qu You® had benefited more than 40,000 HER2 positive patients. Their excellent product quality, safe and effective clinical performance had been recognized by doctors, patients and the industry.

In June 2021, Yi Kai Da® (Ejilunsai injection) of Fosun Kite, a joint venture, became the first CAR-T cell therapy product approved for domestic launch. The registration clinical trial application (IND) for Yi Kai Da® for the treatment of relapsed or refractory inert non-Hodgkin's lymphoma was approved by the NMPA (National Medical Products Administration) in June, and was included in the Procedure for Breakthrough Therapy Designation in August. After the launch of the product, the Group actively explored diversified means of payment, such as commercial insurance. As of the end of February 2022, approximately 100 patients had entered the therapy process, and had been incorporated into city benefit insurance of 23 provinces and municipalities and more than 40 commercial insurance, allowing innovative CAR-T cell therapy with curative potential to benefit more lymphoma patients. In the future, we will continue to develop innovative payments in multiple tiers to further improve drug accessibility.

Moreover, Su Ke Xin® (avatrombopag maleate tablets), an innovative drug, was successfully included into the National Reimbursement Drug List (NRDL) after launch. The adjusted NRDL was officially implemented from March 2021. As the first oral thrombopoietin receptor agonists for thrombocytopenia associated with chronic liver disease (CLDT) approved by the National Medical Products Administration, it will significantly enhance drug accessibility after inclusion into the NRDL, and bringing cure chances to more patients with CLDT.

Serving patients worldwide

The Group attaches great importance to the business development in developing countries, and regards improving drug accessibility in less developed regions as its important social responsibility. As one of the world's largest companies covering the production, development and manufacture of anti-malaria drugs, the Group has become a supplier of anti-malaria drugs to the Global Fund to fight AIDS, TB and Malaria, UNICEF, the World Health Organization and pharmaceutical procurement centers in different countries in Africa. During the Reporting Period, Tridem Pharma, a subsidiary of the Group, established the first African regional pharmaceutical distribution center in Côte d'Ivoire to promote and sell anti-malarial products and other generic drugs, further ensuring the continued accessibility of pharmaceutical and health products in Africa. As of the end of 2021, the Group supplied more than 200 million vials of Artesun (Artesunate for injection) to the international market, helping over 48 million patients with severe malaria worldwide get back to health.

In January 2022, two specifications of artemether-lumefantrine compressed tablets produced by Guilin South Pharma Co., Ltd. ("Guilin Pharma"), a subsidiary of Fosun Pharma, passed the WHO Prequalification (WHO-PQ certification). By then, the number of WHO-PQ certified products of Guilin Pharma increased to 30 (including 26 preparation products and 4 API products) , and Guilin Pharma was one of the manufacturers of anti-malarial drugs with the highest number of such certification in the world. As a global partner in the fight against malaria the Group will, in the future, continue to develop the field of anti-malaria and continue to innovate to contribute to the elimination of malaria in the world.

Fight against the pandemic

The Group is actively involved in the global prevention and control of the pandemic and is committed to working with its global partners to bring the COVID-19 to an end as soon as possible. We are actively working to meet the needs of the pandemic prevention and control, combining our own industrial strengths to ensure the supply of medical equipment such as ventilators, negative pressure ambulances and mobile CTs, creating a prevention — testing — treatment product matrix to provide protection for society throughout the entire process of pandemic prevention and control.

Regarding prevention, we have reached strategic cooperation with BioNtech of Germany and undertaken exclusive development and commercialized production of Comirnaty (mRNA COVID-19 vaccine). Currently, Comirnaty has been included into the vaccination programs in Hong Kong, Macau and Taiwan, and over 20 million doses have been administered in Hong Kong, Macau and Taiwan until the end of February 2022.

Regarding testing, the COVID-19 Nucleic Acid Detection Reagent Kit independently developed by the Group has been certified by regulatory agencies such as NMPA, U.S. Food and Drug Administration (FDA) and Australian Therapeutic Goods Administration (TGA), and is included in the World Health Organization's emergency use list.

Regarding treatment, we are actively pursuing independent research and development and commercialization partnerships for anti-body drugs and small molecule drugs. In addition, the Group is expanding the scope of our new crown treatments by obtaining generic manufacturing licenses, bringing hope to more patients in low- and middle-income countries. In January 2022, the Group was authorized by MPP (Medicines Patent Pool) to produce API and preparation for Molnupiravir, a COVID-19 oral drug of Merck Sharp & Dohme, and supplied Molnupiravir to 105 low- and middle-income countries or regions worldwide. In March 2022, the Group was authorized by MPP to produce API and preparation for Nirmatrelvir, a COVID-19 oral drug of Pfizer, and supplied Nirmatrelvir/Ritonavir combination packaging products (Paxlovid) to 95 low- and middle-income countries or regions worldwide, helping low- and middle-income countries gain access to new therapeutic drugs to help prevent and control the pandemic globally.

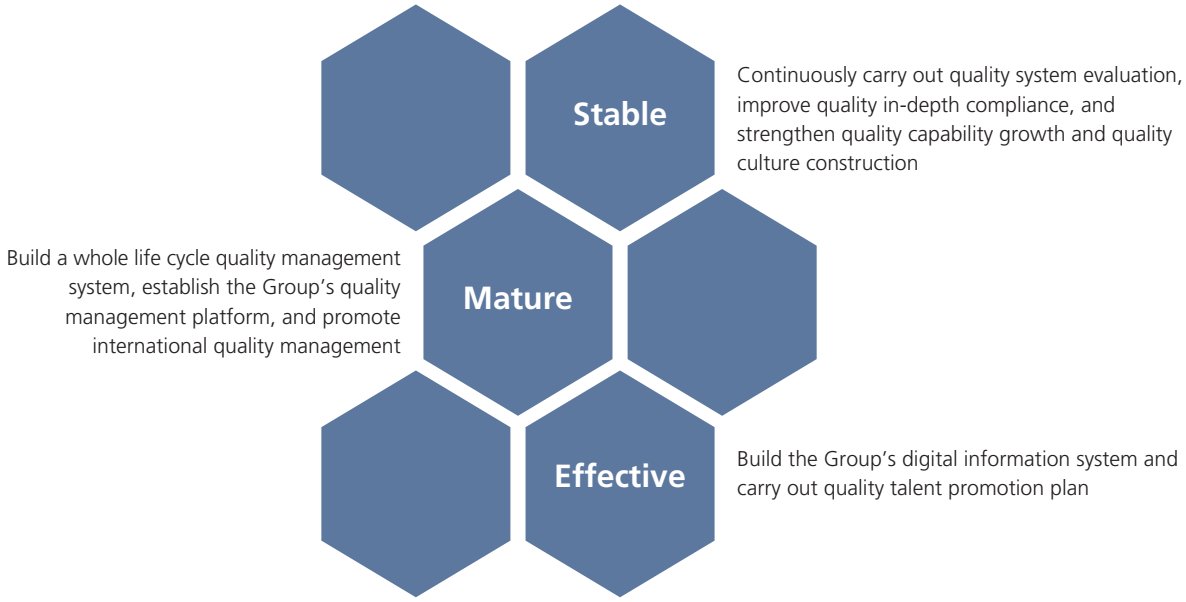
Paying attention to R&D in rare diseases

The Group continues to focus on the research and development of drugs for rare diseases and drugs with urgent clinical needs. Guided by clinical value, the Group regards enhancing accessibility of drugs for treatment of rare diseases as one of the key considerations in determining the direction of its research and development projects, dedicated to bringing hope for healing to patients. As of 31 December 2021, the Group had launched 1 rare disease symptomatic drug, also called as the orphan drug (CLDT indication of avatrombopag maleate tablets), and carried out 9 research and development projects related to rare diseases and orphan drugs.

In January 2022, Fosun Pharma launched the first vigabatrin drug in China, Wei Ge Ding® (vigabatrin powder for oral solution), mainly used for infantile spasm (IS) of infants aged 1 month to 2 years. The drug can control epileptic spasm of children in a timely and effective manner and significantly improve prognosis, and enhance the survival rate and living quality of children suffering from IS. As a result of prolonged absence of such drug in the domestic market, Wei Ge Ding® has been included into the List of Overseas Drugs of Clinical Urgency by the Center for Drug Evaluation of National Medical Products Administration. The launch of Wei Ge Ding® puts an end to the era of no drug available for children suffering from IS/TSC in China, providing clinicians and patients with a safer, longer-term treatment option for IS/TSC, and bringing a hope of new birth for more families with children suffering from IS in China.

2.2 Quality Management

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



Five-Year Quality Strategy

Quality Management System

The Group has built a quality management system for the whole life cycle of its products, with strict quality control carried out for each step of the product from R&D, raw material procurement, production process, finished product storage to operation. We strictly abide by the relevant requirements of 2010 GMP (Good Manufacturing Practice of Medical Products), WHO and ICHQ9 (International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use Quality Risk Management Guide), and have formulated the comprehensive four-level quality management (quality manuals, GMP guidelines, management procedures and corporate documents), clarifying the quality management process and standards of the Group from top to bottom. In order to better promote daily quality management, we split the quality management responsibilities to each level to further ensure the effectiveness of the quality management system.

The quality management system of each subsidiary of Fosun Pharma has received multiple certifications. As of 31 December 2021, all pharmaceutical subsidiaries of the Group met the requirements of GMP 2010 and all medical device subsidiaries complied with the new version of the "Quality Management Practice for Manufacturing of Medical Devices". As at the end of the Reporting Period, the pharmaceutical manufacturing subsidiaries of the Group had 38 sterile preparation production lines, 40 oral preparation production lines and 87 APIs which had passed China's GMP certification, with a GMP certification rate of 100%. In addition, the production lines of pharmaceutical manufacturing business obtained cGMP certification from several international monitoring bodies including US FDA and EMA (European Medicines Agency). 8 of the Group's medical device subsidiaries have passed ISO13485-2016 certification, with 3 subsidiaries passing ISO9001:2015 certification. In 2021, the domestic pharmaceutical manufacturing subsidiaries received nearly 70 official inspections and official sample tests on more than 750 batches. Domestic medical device subsidiaries received nearly 30 official inspections, all of which were passed smoothly.

Quality Testing Capability

We guarantee the quality of our products through laboratory monitoring and measurement throughout the production process. All pharmaceutical manufacturing subsidiaries have internal quality control laboratories. Some pharmaceutical manufacturing subsidiaries have obtained CNAS accreditation for their quality control laboratories. We require our pharmaceutical manufacturing subsidiaries to conduct full process quality testing on all batches of all products, including testing of raw materials and auxiliary materials at initial stage, testing of intermediate products at middle stage, testing of packing materials at later stage and product release testing. For exceeded test results, we have developed the "Technical Guide for Laboratory Test Results Exceeding Standards" to clarify the investigation process, and process batches that are confirmed to exceed standards by investigations.

Quality Audit

Internal audit of quality system is another line of defense for the Group to ensure product quality and safety. We follow the requirements of FDA of the United States, and annual quantitative evaluation of subsidiaries' quality system is conducted by professional quality audit team in six dimensions: quality, production, documentation, materials, laboratory, facilities and equipment, for comprehensive understanding of the system status, and timely rectification of non-conformities in the quality system. During the Reporting Period, Fosun Pharma conducted a total of five quality audits of pharmaceutical subsidiaries and four audits of medical device subsidiaries, with an excellent rate of 100% of subsidiaries.

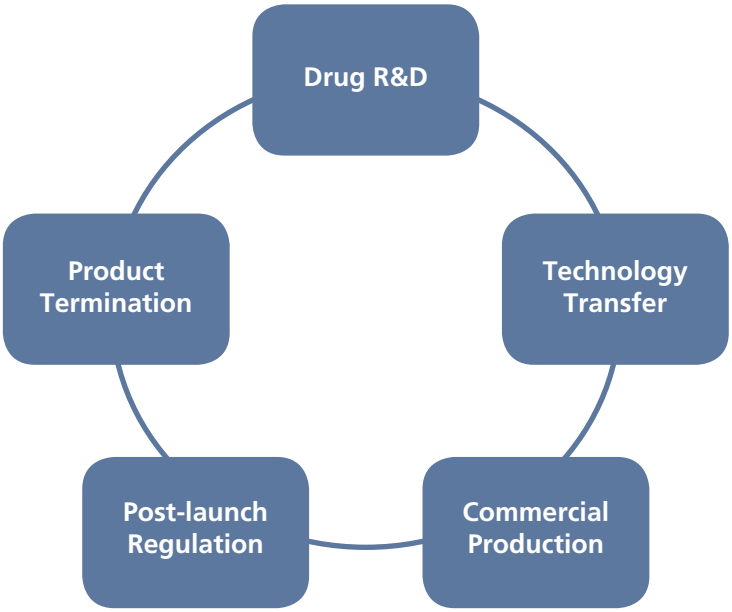
Quality Culture

In addition to improving quality control measures, the Group also attaches great importance to the dissemination of quality culture within the company and conducts quality training courses to improve quality management in all aspects. We provide product quality training to all our employees through a combination of internal and external training, and actively invite suppliers to participate. For new employees, we incorporate quality issues into new employee training at the beginning of their employment; for veteran employees, annual quality training and promotion will be conducted every year. For employees in production and quality control related positions, we will organize more comprehensive training on quality topics to further standardize employees' production operations, deepen their quality awareness and cultivate correct quality concepts. During the Reporting Period, the employees of pharmaceutical subsidiaries received quality training of more than 70 hours per capita on average, and the employees of medical device subsidiaries received quality training of more than 20 hours per capita on average.

2.3 Pharmacovigilance and Recall

2.3.1 Pharmacovigilance

The Group strictly abides by the Drug Administration Law, the Adverse Drug Reaction Reporting and Monitoring Management System, the Medical Device Adverse Event Monitoring and Re-evaluation Management Measures, and other laws and regulations, and has established a pharmacovigilance system covering the entire product life cycle and built a comprehensive pharmacovigilance function structure, to continuously upgrade and optimize the operational efficiency and responsiveness of the pharmacovigilance system. We have an advanced global pharmacovigilance system, ArisG, which helps us improve all aspects of data manipulation by standardizing the pharmacovigilance process and embedding several advanced data management functions. We also achieved data connection with NMPA, FDA and EMA and electronic submission of PV data. The introduction of the ArisG system has greatly improved the efficiency of our data management and the level of data management, giving important support in detecting and analyzing adverse data information.



Full life-cycle pharmacovigilance system

The Group insists on adopting a regular pharmacovigilance workflow and strictly implements "zero reporting" management for adverse reactions found in pharmaceutical manufacturing subsidiaries and adverse events found in the medical device industry. Regardless of the occurrence of adverse reactions, each pharmaceutical manufacturing subsidiary is required to report the adverse reactions or adverse events of the month to the headquarters on time every month. For newly discovered or serious adverse reactions, we implement time-limited reporting management, and require each pharmaceutical manufacturing subsidiary to report to the headquarters within specified time frame, to ensure that all adverse drug reaction information is collected and processed in a timely manner.

In order to help pharmacovigilance work be carried out efficiently, we have adopted the classification monitoring of drug varieties, and focused our monitoring on drug varieties with higher risk or higher importance. We require pharmaceutical manufacturing subsidiaries to regularly summarize the adverse data information of key drug varieties, analyze and evaluate abnormal findings, and regularly submit written reports to headquarters to report the relevant situation and keep the information synchronized.

During the Reporting Period, the pharmaceutical manufacturing subsidiaries of the Group reported 100% of the information on adverse reactions to the national adverse reaction direct reporting system in strict accordance with national requirements and internal regulations, and the reporting pass rate reached 100%. In 2021, there were zero mass adverse reactions and fatalities caused by drug quality defects during the year, and none of the Group's medical device subsidiaries had any adverse events.

2.3.2 Product Recall

The Group closely monitors the drugs that have been marketed. In order to cope with the condition of drugs with significant defects, the Group has formulated the "Administrative Measures for Drugs Recall" in strict compliance with the Law of the People's Republic of China on Drug Administration, the Law of the People's Republic of China on Vaccine Administration, Regulations on the Implementation of the Law of the People's Republic of China on Drug Administration, Special Provisions of the State Council on Strengthening the Supervision and Administration of Food and Other Products Safety and other relevant laws and regulations, to regulate the workflow of the various aspects of product recall. The Group has established a comprehensive drug traceability system to ensure the traceability of drugs and requires that in the event of defective products, they should be recalled and investigated and evaluated in a timely manner. During the Reporting Period, the Group incurred 1 product recall incident[2].

We require our pharmaceutical manufacturing subsidiaries to conduct drug recall drills regularly, in order to be familiar with the key procedures of the whole recall process, and validate the effectiveness of the recall system and identify areas for improvement in time to fully improve the recall system and ensure a rapid and orderly recall of all drugs in an emergency. During the reporting period, the Group's domestic pharmaceutical subsidiaries conducted eight recall drills in total.

[2] The recall was an active recall caused by printing errors in the approval number shown on the bottle labels of some batches of the products, and was not caused by health and safety reasons. The enterprise submitted an elaboration of execution of active recall to the provincial medical products administration, and delivered the Notice of Product Recall to downstream customers within 72 hours. In order to ensure the accessibility of medication to patients, goods return and exchange with downstream distributors were undertaken in an orderly manner.

2.4 Customer Responsibility

2.4.1 Responsible Marketing

The Group insists on conducting relevant marketing business activities in a lawful and compliant manner, and all marketing practices are subject to applicable laws and regulations such as the Federal Trade Commission Act, the Honest Advertising Act, the Data Protection Act 2018, the EU General Data Protection Regulation, the UK General Data Protection Regulation and the Advertising Law of the People's Republic of China, as well as industry regulations. We have established a marketing, advertising and sales-related system to ensure the accuracy of the information delivered during the marketing process, and we strictly prohibit the inclusion of false and exaggerated content. We have a comprehensive domestic and international marketing system and a professional international marketing team to provide sufficient support to ensure the compliance of all marketing activities. For marketing promotion plans, we have set up a strict review and monitoring process, covering several functional departments to ensure the compliance of marketing activities. In addition, we provide special training to our marketing staff on a regular basis to ensure that they promote our products reasonably and sell our products and services in a legally compliant manner. In 2021, none of the subsidiaries were notified and investigated by the regulatory authorities for violation of advertising and promotion, and there were also no non-compliances in terms of product and service labels.

2.4.2 Customer Communication

Maintaining communication with patients and customers is an important way to help us understand market demand in a timely manner and improve service quality. The Group has set up a customer complaint and consultation system, established several communication channels with patients and customers, actively collected various types of feedback, and promptly handled product or service complaints. We have a 24-hour complaint hotline where patients and customers can contact us at any time to submit complaints or feedback. We are equipped with a professional complaint handling team to receive all types of complaint information and ensure prompt verification of relevant information, timely response to customers and provision of appropriate solutions within the stipulated time. During the Reporting Period, the Group received a total of 138 complaints from patients and customers, all of which were responded to, and the complaint closure rate had been maintained at 100% for consecutive years.

2.4.3 Information and Privacy Protection

The Group has developed the Security System Construction Plan in strict accordance with the Law of the People's Republic of China on Network Security, the Law of the People's Republic of China on the Protection of Personal Information and other laws and regulations, and undertook comprehensive construction of information security system from three perspectives: security management system, supervision and compliance system, and security technology system to protect the company's internal data from intrusion. The OA system at the headquarters of Fosun Pharma has obtained Level 3 certification, and its official website system has obtained Level 2 certification, and the important information systems of each subsidiary has also passed the evaluation and filing of level protection. During the Reporting Period, no information security incidents occurred in the Group.

The Group attaches great importance to the protection of patient privacy. In our member hospitals, we desensitize the display of patient information in public places and ensure there is only one patient in each consultation in outpatient consultation rooms. We upgrade the IT system on the hospital side and require the setting of automatic system exit and automatic computer lock screen; in addition, we have set up a data security system at the system level to further protect patient privacy data. During the Reporting Period, we did not receive any complaints regarding the leakage of user privacy.

3. ENVIRONMENTAL PROTECTION

3.1 Coping with Climate Change

On 31 October 2021, the 26th session of the Conference of the Parties (COP 26) to the United Nations Framework Convention on Climate Change was held in Glasgow, the United Kingdom. During the conference, the United Nations Environment Programme released the Adaptation Gap Report 2021: The Gathering Storm, calling for urgent global action, scaling up climate financing and actively implementing climate action plans to adapt to the intensifying impacts of climate change. Earlier at the general debate of the 75th United Nations General Assembly, General Secretary Xi Jinping also stated that "the Paris Agreement on combating climate change represents the general direction of global green and low-carbon transformation, and is the minimum action that needs to be taken to protect our home planet. All countries must take decisive steps. China will increase its national contribution, adopt more vigorous policies and measures, strive to peak carbon dioxide emissions by 2030, and endeavor to achieve carbon neutrality by 2060."

As a leading, innovation-driven international pharmaceutical and healthcare industry group in China, the Group is aware that climate change poses various risks to businesses. In 2021, the Group made disclosure on its climate change risk management with reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

3.1.1 Governance

Since 2021, the ESG committee of Fosun Pharma has been responsible for formulating and regularly reviewing the implementation of climate change-related matters, including carbon emissions, energy consumption and other targets, and regularly reviewing the achievement of these targets. The Board of Directors authorizes the ESG Committee to comprehensively supervise ESG work, and conduct annual ESG communication meetings to discuss issues related to climate change. In this regard, the ESG workgroup of the Group actively carries out the identification of climate change risks, and the ESG committee reviews the identified list of risks and guides the Group to adopt relevant measures to mitigate, adapt to and combat climate change.

3.1.2 Risk Management

The Group's ESG Work Group commenced climate change risk identification in 2021, and incorporated climate change risks into the Group's risk management.

Two high-contrast climate scenarios were selected for risk identification, namely the Representative Concentration Pathway (RCP) 2.6 and RCP 8.5, as presented by the United Nations Intergovernmental Panel on Climate Change (IPCC) in its Fifth Assessment Report. We would like to analyze different scenarios to understand what kind of risks climate change would bring to enterprises under the low-emission, high-governance scenario and the high-emission, low-governance scenario. After preliminary risk identification, the transition risk was more likely to occur under the low-emission scenario of RCP 2.6, while the physical risk was more likely to occur under the high-emission scenario of RCP 8.5.

After analyzing the climate change risks under different scenarios, we screened out the industry-level risks related to the Group and formed a preliminary list of climate change risks.

Major climate change risks	Relevance
Increased pricing of GHG emissions	China's control of the carbon emissions trading management system and total carbon emissions has resulted in increased costs of greenhouse gas emissions, either directly (carbon taxation) or indirectly (carbon offsets, higher fuel prices, electricity tariffs, etc.). If the industry is included in the carbon trading system, according to the mandatory verification of carbon trading, once the verified emissions exceed the allocated quota, the Group must bear the cost of compliance, and the cost of excess carbon emissions will continue to rise.
Costs to transition to lower emissions technology	At present, the State proposes a "dual carbon[3]" policy, vigorously promoting energy conservation and emission reduction. The Group needs to accelerate its low-carbon transformation by investing in energy structure improvement, optimizing energy-consuming equipment and developing low-carbon production technologies to reduce greenhouse gas emissions in the production process.
Rising mean temperatures	When temperature rises, the Group will need to increase energy consumption to maintain the temperature of the production workshop so as to meet production conditions, resulting in an increase in operating costs. At the same time, the rise in temperature will increase the frequency of hot weather, which will affect the health and safety of employees.
Increased severity of extreme weather events	Frequent extreme weather will affect the Group's operational stability. At the same time, the expenses for combating extreme weather will increase, which will further increase operating costs.

3.1.3 Strategies

By identifying the risks of climate change, the Group fully understands the impacts that climate change may have on us. We will reduce the impact of climate change on the Group through adaptation and mitigation.

Adaptation:

The Group has strengthened the monitoring of extreme weather events, kept abreast of meteorological information, and established communication channels with relevant government departments. At the same time, we have strengthened the inspection work in daily operations, regularly inspected the drainage system, electrical instruments, etc., reinforced outdoor facilities and conducted troubleshooting. Moreover, we have also set up an emergency response team so that in case of extreme weather, we can execute the corresponding emergency plan in a timely and orderly manner to minimize the damage. Through the above measures, the Group has continuously enhanced its adaptability and resilience to climate change.

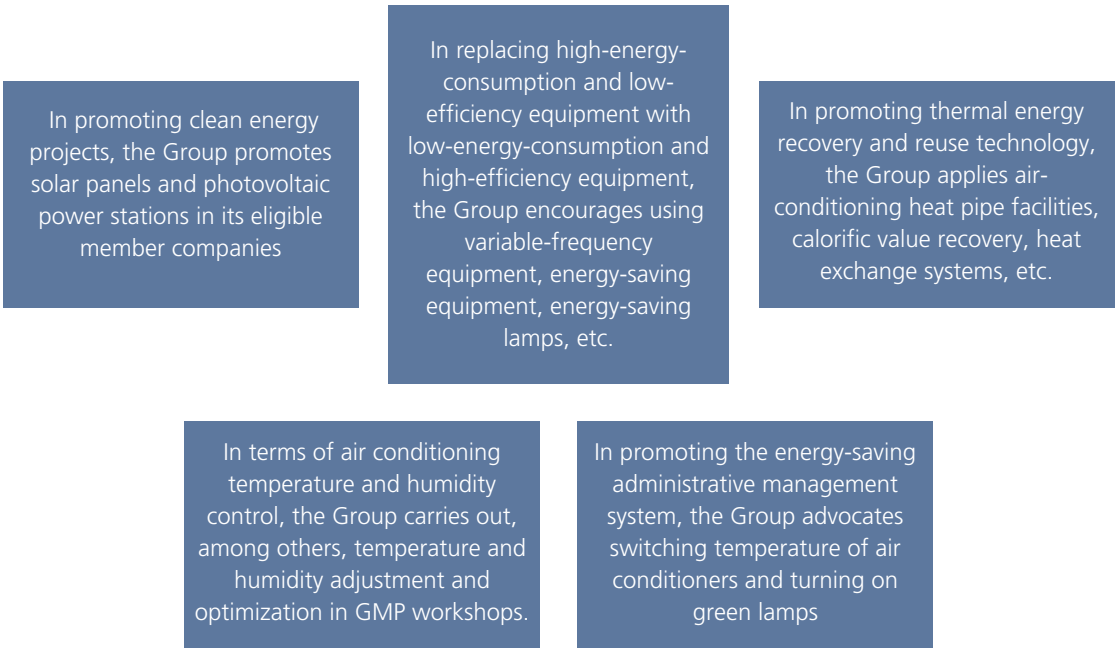
[3] Refers to "carbon peaking" and "carbon neutrality"

Mitigation:

The Group actively optimizes energy management, explores effective measures to reduce energy use and greenhouse gas emissions, and contributes to the mitigation of global climate change while improving its own ability to cope with the risks of climate change. Fosun Pharma has issued the Notice on Energy Conservation and Emission Reduction Work of Fosun Pharma Group Subsidiaries to define emission reduction targets, and incorporate energy management and control into the performance appraisal of enterprise managers. We continue to promote energy management system certification, improve energy-intelligent monitoring coverage, and continuously raise our energy management level. As at 31 December 2021, five major subsidiaries of the Group had passed the certification of energy management system.

3.1.4 Metrics and Targets

The Group mainly improves energy efficiency, adjusts energy structure and reduces its carbon footprint through technical standards, upgrading energy-saving equipment and promoting renewable energy. During the Reporting Period, the Group invested RMB1.378 million to promote energy-saving technological transformation projects, saving 7.465 million kWh of electricity and 339 thousand m^3 of natural gas, and externally purchased 5,546 tonnes of steam.



Energy saving and emission reduction measures

Based on the existing policies, the Group has sorted out and analyzed the applicable conditions of green power consumption channels, project economic factors, market maturity and other aspects, and encourages subsidiaries to build self-generated, self-use and distributed renewable energy power generation projects, and actively participate in green power consumption.

For subsidiaries eligible for installing distributed renewable energy power generation systems, they can choose to realize green power consumption in the form of self-investment or enjoying preferential tariffs after construction through third-party investment according to their own capital and personnel conditions. Having built internal photovoltaic power generation systems, Wanbang Pharma, Zhaohui Pharma and Zhongwu Hospital and Examination generated a total of 1.579 million kWh of electricity in 2021.

For subsidiaries that are not eligible for installing distributed renewable energy power generation systems or lack sufficient resources to meet the demand for green power consumption, we recommend that they purchase green power according to the types of transaction services provided by the local power trading market. We remind subsidiaries to maintain policy sensitivity and establish cooperation with competent integrated energy service providers and electricity sales enterprises, participate in market-oriented transaction for distributed power generation in a timely manner, and purchase green power. In 2021, a total of 15 subsidiaries' production bases purchased green power, with a total of 26.59 million kWh of green electricity purchased.

During the Reporting Period, the carbon emission intensity for the year was 0.23 tonne/RMB10,000 income, down by 15.5% from 2020. Based on high-quality energy-saving technology transformation projects and energy structure optimization and adjustment, the Group reduced carbon emissions by a total of 24,146 tonnes[4] in 2021.

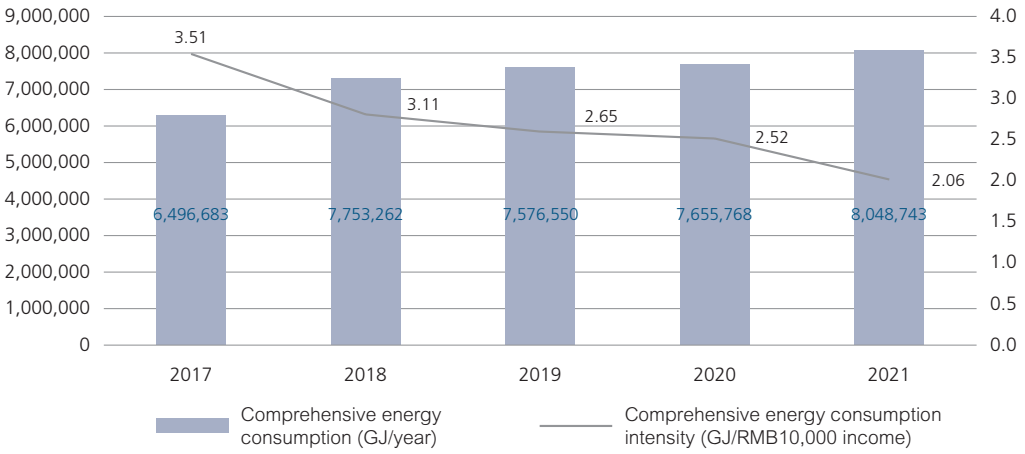
During the Reporting Period, the Group's comprehensive energy consumption intensity was 2.06 GJ/RMB10,000 income, down by 18.4% from 2020.

Year	Direct energy consumption[5] (GJ/year)	Indirect energy consumption (GJ/year)	Comprehensive energy consumption (GJ/year)	Comprehensive energy consumption intensity (GJ/RMB10,000 income)
2019	4,344,819	3,231,731	7,576,550	2.65
2020	2, 604,950	5, 050,819	7, 655,768	2.52
2021	3,463,822	4,584,921	8,048,743	2.06

[4] For the calculation method of carbon emissions, please refer to the "Accounting Methods and Guidelines for Reporting Greenhouse Gas Emissions of Enterprises in Other Industrial Industries (Trial)".

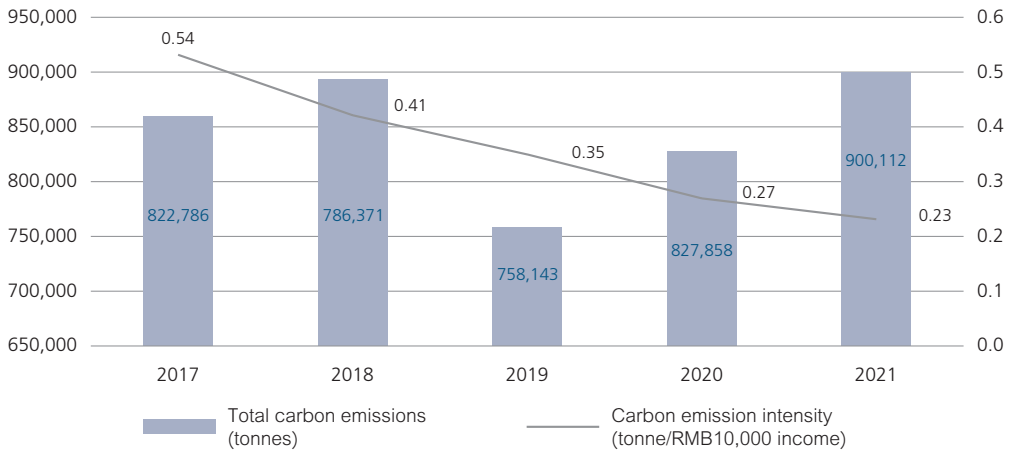
[5] The calculation basis of the direct energy consumption in 2021 is General Principles for the Calculation of Total Energy Consumption (GB/T 2589-2020), which is inconsistent with the basis of previous data, General Principles for the Calculation of Total Energy Consumption (GB/T 2589-2008).

Comprehensive energy consumption and intensity from 2017 to 2021



Year	Total carbon emissions[6] (tonnes)	The proportion of carbon emission sources		Carbon emission intensity (tonne/RMB10,000 income)
		Direct greenhouse gas emissions[7] (tonnes)	Indirect greenhouse gas emissions[8] (tonnes)	
2019	758,143	381,580	376,563	0.35
2020	827,858	225,622	602,236	0.27
2021	900,112	308,755	591,357	0.23

Total carbon emissions and intensity from 2017 to 2021



[6] The total carbon emission data does not include greenhouse gas emissions caused by biological sources and chemical sources within the responsibility boundary (i.e. within the physical boundary of production, operation and office); the carbon emission data in 2020 and 2021 includes the carbon emissions of overseas enterprises, which is an update from the 2019 data basis.

[7] Direct greenhouse gas emission sources include the combustion of fossil fuels such as natural gas, liquefied gas, raw coal, diesel, gasoline and fuel oil.

[8] Indirect greenhouse gas emission sources include net purchased electricity and steam.

3.2 Environmental Management

Based on the Environmental Protection Law of the People's Republic of China, the Environmental Impact Assessment Law of the People's Republic of China and the Environmental Protection Tax Law of the People's Republic of China, the Group has formulated and issued the Environmental Health and Safety (EHS) Policy, which clarifies the Group's overall management approach and vision for EHS. The Group has established the EHS Special Committee and EHS Group, and continuously optimized EHS management from five dimensions: environmental protection, safety, fire prevention, occupational health and EHS management system. During the Reporting Period, we followed the Notice on Control Target Indicators of EHS Management System issued in 2021 and further incorporated EHS-related indicators into performance appraisal of relevant personnel, and linked EHS management with operating performance to promote the landing of EHS management.

3.2.1 Environmental Management System

Based on the environmental management system, occupational health and safety management system and national standardization of production safety, the Group has promulgated the Group's EHS management system framework standard, which aims to systematize and standardize the EHS work of subsidiaries focusing on the framework system of environmental protection, occupational health and production safety management. During the Reporting Period, the Group strictly followed the promulgated EHS system policy and clarified the EHS supervision and management and performance assessment and reward mechanism.

The Group conducts environmental management of each subsidiary in strict accordance with ISO 14001 standard. In order to further build a unified environmental management system and policy system at the Group level, improve the Group's environmental management level, and at the same time help subsidiaries to conduct a comprehensive review of environmental risks and the current state of environmental management, we plan to obtain ISO 14001 certification from the Group level. At the same time, we continue to urge our subsidiaries to improve their own environmental management systems. As of 31 December 2021, 14 major subsidiaries of the Group received ISO 14001 environmental management system certification, accounting for 41% of the total number of manufacturing subsidiaries. In addition, 16 subsidiaries undertook corporate assessment and certification of cleaner production.

To ensure the effective implementation of the EHS management system and to strengthen the Group's central EHS monitoring capability, we regularly conduct EHS audits of all subsidiaries involved in manufacturing and R&D. Auditing methods include audits conducted by the EHS department at headquarters, internal cross audits, enterprise self-audits, etc. Among them, EHS cross audits are conducted by an audit group formed by EHS experts from various segments and subsidiaries based on five dimensions, namely EHS system, environmental protection, safety, fire and occupational health. We score our subsidiaries on a comprehensive basis from two aspects, namely EHS compliance and EHS management system effectiveness to confirm their EHS performance level. After the audit, an audit report is generated for the problems exposed, and the audited company is required to develop corrective and preventive action plans. We set different time limits for rectification based on the severity of the problems, and the EHS department at the headquarters is responsible for follow-up and closure of rectification items. For core manufacturing companies, we conduct annual audit, and other subsidiaries involved in manufacturing and R&D will be audited at least once every three years, with an audit coverage rate of 100%.

EHS compliance	Management system effectiveness
• Audit standards are based on laws and regulations and standard requirements in aspects including environmental management, chemical safety, production safety, process safety, occupational health and fire safety	• Audit standards are based on corporate internal audit, safety standardization and ISO14001 and ISO45001 standard requirements

EHS Audit Standards

During the Reporting Period, the Group achieved 0 external environmental pollution incident and 0 major environmental penalty. Zhaohui Pharma and Red Flag Pharma were rated as national green factories; Zhaohui Pharma and Chemo Biopharma were rated as green factories in Shanghai; Red Flag Pharma was rated as green factory in Liaoning Province; Wanbang Pharma and Erye Pharma were rated as green factories in Jiangsu Province; Guilin Pharma was rated as green factory in Guangxi Zhuang Autonomous Region; Wanbang Folon was rated as green factory in Xingtai. 11 subsidiaries received recognition and commendations from local environmental, safety and/or fire departments

In order to ensure the compliance of business operations and to reduce the impact on the environment, during the Reporting Period, the Group invested RMB33.4132 million in environmental protection facilities, mainly focusing on new construction/upgrade of environmental protection facilities including purification engineering facilities, sewage treatment facilities, heat pipe renovation facilities, and boiler renovation; and accumulatively invested RMB 119.4318 million in environmental protection operation and maintenance, mainly focusing on the operation of environmental protection facilities such as sewage waste and hazardous waste disposal.

3.2.2 Environmental Strategic Goals

The Group adheres to the philosophy of integrity and sustainable development, advocating and safeguarding the harmonious development of business, society and the environment. We also adhere to environmental and social sustainability, prevent pollution, actively promote energy conservation and emission reduction and protect ecological diversity, to build environment-friendly communities.

From 2016 to 2020, the Group completed the first five-year strategic Goals for EHS management. During the period, the Group tracked the fulfillment status of the objectives accordingly on an annual basis, linking target achievement to the performance of senior management. In 2021, the Group looked back, reviewed and summarized its strategic objectives for the last five years, and sorted out the status of EHS performance of its subsidiaries, conducted analysis of the directions in which the Group can improve and the potential for improvement, and on this basis, formulated the second five-year (2021–2025) strategic objectives. In the next five years, the Group will further strengthen its EHS management efforts, increase investment in EHS operations and actively seek new technologies and opportunities to further reduce the impact of its operations on the environment.

2021–2025 Environmental Strategic Goals

Waste gas emission	• Nitrogen oxides emissions per unit of revenue: decrease by 20% in 2025 comparing to 2020 • Sulfur dioxide emissions per unit of revenue: decrease by 20% in 2025 comparing to 2020 • Particulate matter emissions per unit of revenue: decrease by 20% in 2025 comparing to 2020 • 100% compliance with annual VOCs emission standards by 2025
Sewage drainage	• Sewage emissions per unit of revenue: decrease by 15% in 2025 comparing to 2020 • chemical oxygen demand (COD) emissions per unit of revenue: decrease by 15% in 2025 comparing to 2020 • Ammonia nitrogen emission per unit of revenue: decrease by 15% in 2025 comparing to 2020
Wastes emission	• Solid waste[9] emission per unit of revenue: decrease by 10% in 2025 comparing to 2019
Water consumption	• Water consumption per unit of revenue: decrease by 15% in 2025 comparing to 2020
Energy consumption	• Total energy consumption per unit of revenue: decrease by 10% in 2025 comparing to 2020
Greenhouse gas emissions	• Carbon emission per unit of revenue: decrease by 15% in 2025 comparing to 2020 • Carbon emission reduction and energy-saving projects: The cumulative reduced carbon emission reached 30,000 tonnes

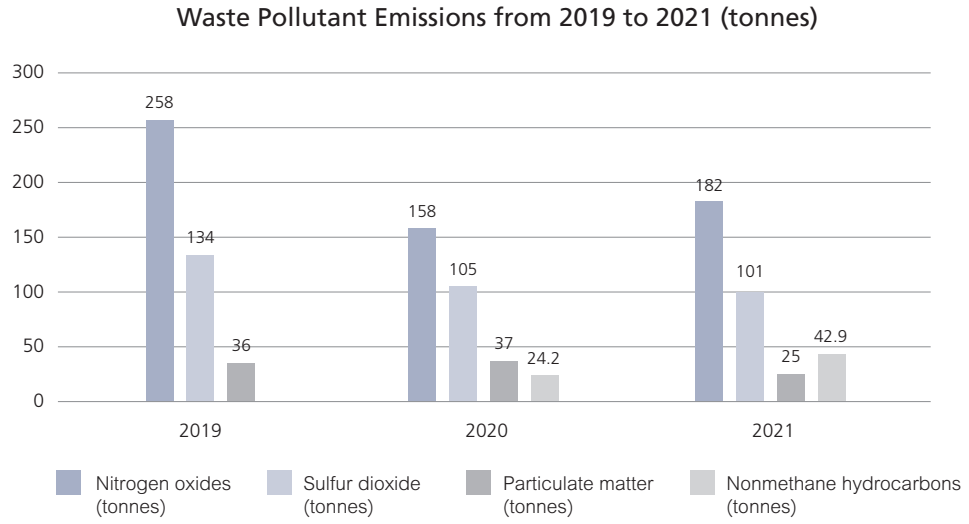
3.2.2 Pollutant Emissions Management

The Group strictly complies with laws and regulations including the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on the Prevention and Control of Water Pollution and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, and actively fulfills the obligation of environmental compliance. During the reporting period, the Group's main pollutant types in operation comprised of sewage, waste gas and solid waste.

[9] Including hazardous waste and general solid waste.

Regarding waste gas management, the Group is equipped R&D and production site with corresponding ventilation facilities to enhance the source control of volatile substances, and encourage the implementation of alternative processes. In the meantime, the Group has drafted the requirements of atmospheric pollutant reduction and governance measures for subsidiaries. During the reporting period, we formulated the Boiler Low-Nitrogen Retrofit Program, which required subsidiaries to reduce the emissions of nitrogen oxides (NOx) and sulfur dioxide (SO_2) in their owned boilers, and to proactively promote terminal emission reduction of Volatile Organic Compounds (VOCs). In 2021, the waste gas emission of the Group was as follows:

Year	NOx (tonnes)	SO_2 (tonnes)	Particulate matter (tonnes)	NHMC (tonnes)	NO_x emission intensities[10] (gram/$10,000 income)	SO_2 emission intensities (gram/$10,000 income)	Particular matter emission intensities (gram/$10,000 income)
2019	258	134	36	—	—	—	—
2020	158	105	37	24.2	—	—	—
2021	182	101	25	42.9	46.61	25.91	6.45



[10] No emission targets have been set for waste gas emissions before 2020 and therefore no emission intensity has been calculated for NOx, SO_2 and particulate matter.

Volatile Organic Compounds VOCs Governance

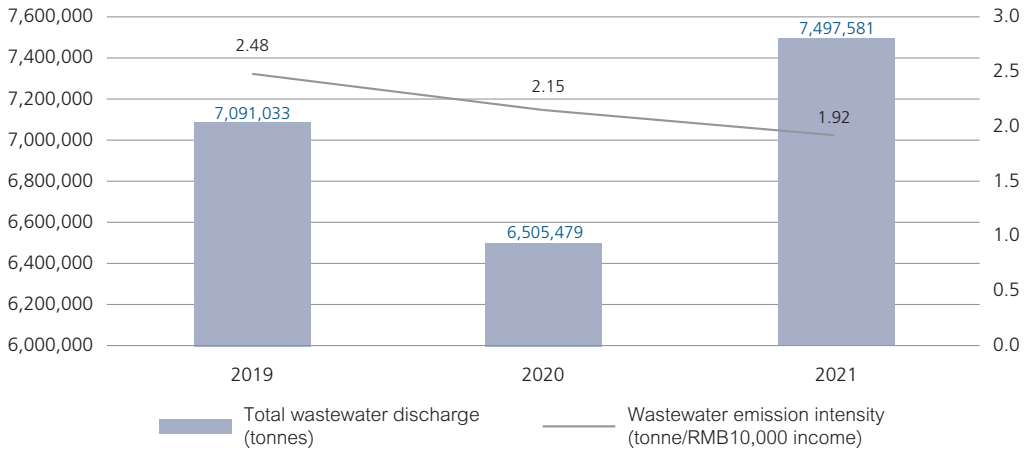
In 2021, various subsidiaries including Guilin Pharma, Dongting Pharma, Erye Pharma, Avanc Pharma and Aleph established or upgraded VOCs emission reduction and governance facilities with total investment of over RMB6 million, and adopted core processes including activated carbon adsorption, photocatalytic oxidation, low-temperature plasma, etc. For different composition segments of the source waste gases, we select a combination of processes to treat the emitted VOCs gases.

Guilin Pharma invested RMB16 million in aggregate to conduct volatile organic compounds governance to gradually collect and process unorganized waste gas in the workshop, adding pre-processing systems for VOCs gas in the workshop, end-processing systems for VOCs, optimizing surveillance systems as well as upgrading and modifying sewage treatment station and waste gas treatment system and others projects. The implementation of the above projects significantly improved production at workshops, office regions and the surrounding environment of companies. The project was included into the "Central environmental funds project reserve" and was granted government subsidies of RMB7.6 million.

For sewage management, the Group sewage includes domestic sewage and production sewage. We classify and collect the waste according to the principle of "classified treatment by the quality", establish and improve the sewage pipe network, and strictly prohibit discharging sewage directly into the surface water body. During the reporting period, the Group's wastewater discharge intensity/RMB10,000 income decreased by 10.6% year on year as compared to 2020.

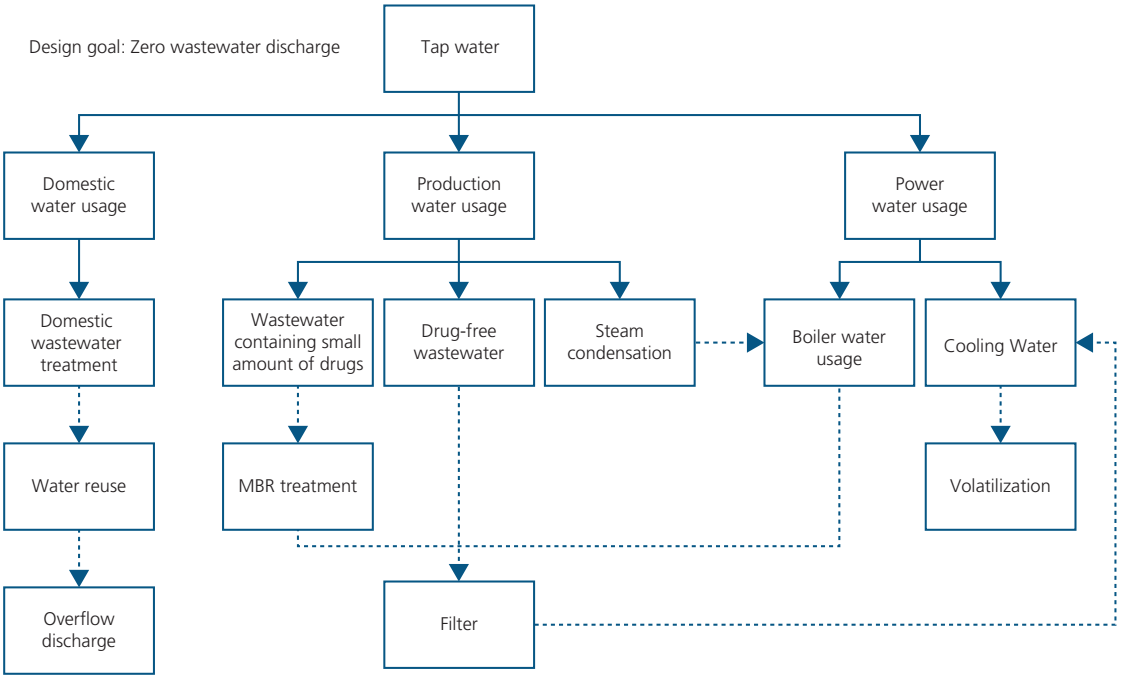
Year	Total sewage emission (tonnes)	Sewage emission intensity (tonne/ RMB10,000 income)	Chemical oxygen demand (tonne/year)	Chemical oxygen demand emission intensity (kg/10,000 revenue)	Ammonia nitrogen (tonnes/year)	Ammonia nitrogen emission intensity (kg/10,000 revenue)
2019	7,091,033	2.48	778	0.27	130	0.046
2020	6,505,479	2.15	655	0.22	88.5	0.03
2021	7,497,581	1.92	704	0.18	146	0.038

Total wastewater discharge and intensity from 2019 to 2021



Yao Pharma: Nearly "zero" production wastewater discharge

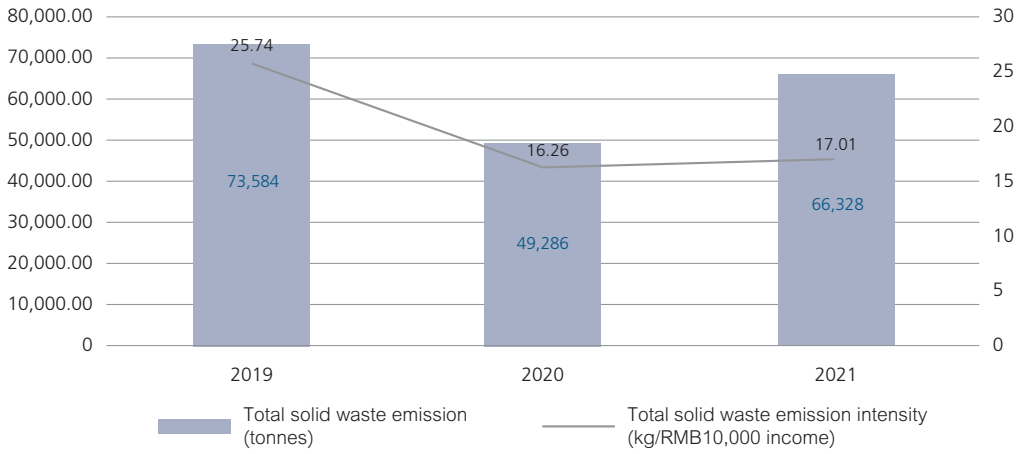
Yao Pharma's water and soil factory area has separate networks for domestic wastewater and production wastewater in its first design and has a corresponding sewage treatment facilities set up to reuse the production wastewater in circulated water system, achieving nearly zero discharge for production wastewater. In 2021, the amount of reuse water was approximately 46,000 tonnes, which is approximated 70% of the total water supplement.



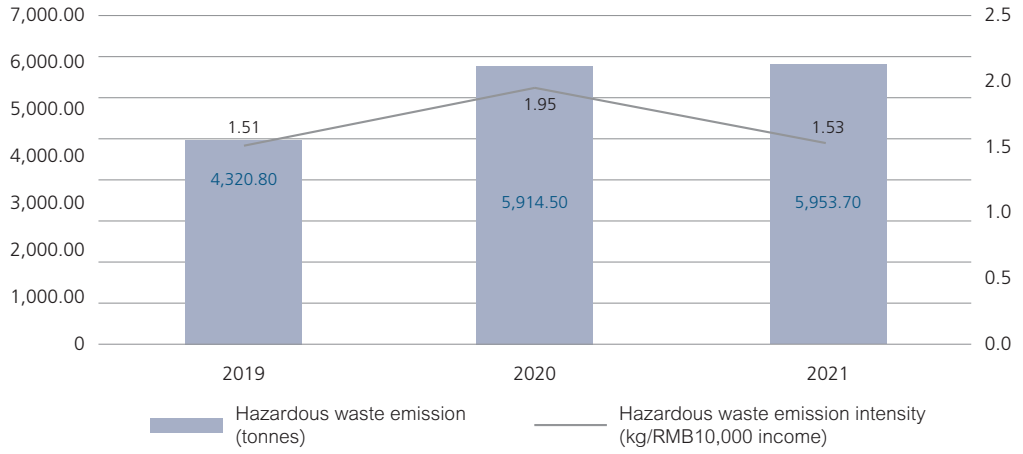
As for solid waste management, the Group mainly involves wastes including domestic waste, general industrial solid waste and hazardous waste. The Group adheres to the principle of "reduction, recycling and harmless treatment" and continuously further promotes the recycling of industrial solid wastes. The reused general industrial waste for the year were 54,173 tonnes. Meanwhile, the Group commenced a series of hazardous waste optimization projects to promote hazardous waste reduction. 91.5 tonnes of hazardous waste were reused for the year.

Year	Total solid waste emission (tonnes)	Total solid waste emission intensity (kg/RMB10,000 income)	Total general industrial solid waste emission (tonnes)	General industrial solid waste emission intensity (kg/RMB10,000 income)	Hazardous waste emission (tonnes)	Hazardous waste emission intensity (kg/RMB10,000 income)
2019	73,584	25.74	63,629.20	22.26	4,320.80	1.51
2020	49,286	16.26	37,060.20	12.23	5,914.50	1.95
2021	66,328	17.01	60,374.70	15.48	5,953.70	1.53

Total solid waste emission and intensity from 2019 to 2021



Total hazardous waste emission and intensity from 2019 to 2021



Sludge drying

Fosun Pharma and its subsidiaries have explored and commenced optimization project for hazardous waste. With the basis of Erye Pharma and Carelife Pharma successfully commencing sludge drying project, the Red Flag Pharma added a sludge drying machine equipment and was put in use in the second half of 2021, which can reduce 70kg of sludge every month. In 2021, Guilin Pharma added a set of sludge low-temperature drying equipment, which used a dehumidification heat pump to dry the sludge by dehumidification and heating up the air. In order to achieve drying, it used dry convection hot air and hot air as the drying medium, and the moisture in the sludge absorbed the heat in the air to vaporize into the air. This type of dehumidification heat method can recycle latent heat of water vapor and sensible heat of air in exhaust air, compared to the traditional sludge thermal drying system where 90% of the heat supply is converted into heat loss of exhaust air (latent heat of water vapor and sensible heat of hot air). The dehumidification and heating process has no waste heat emission, and through this equipment, 419 tonnes of sludge reduction is achieved.

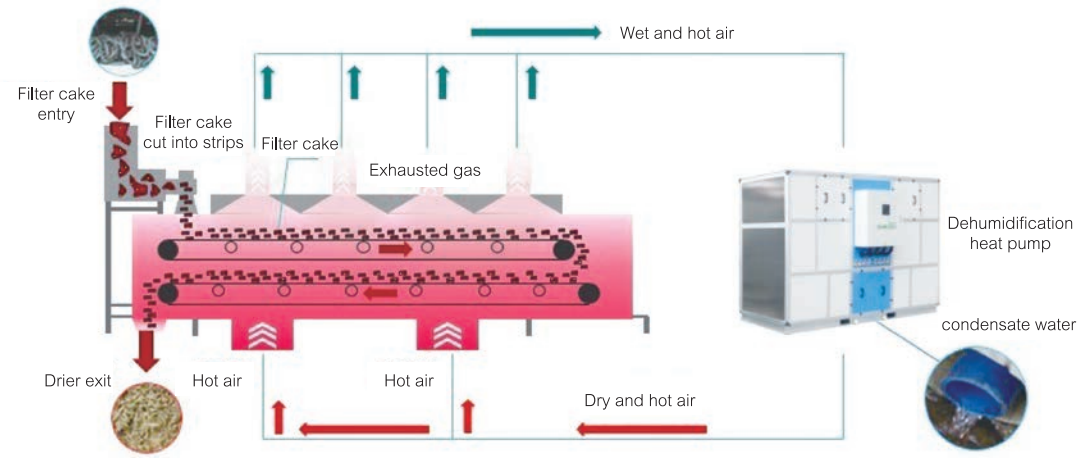


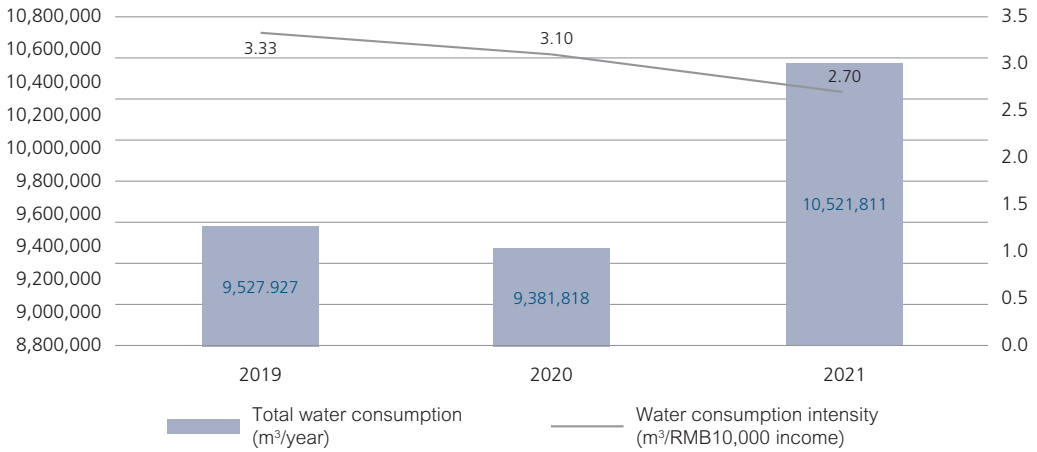
Diagram of Sludge low-temperature Drying equipment of Guilin Pharma

3.2.3 Resource Management

The Group's water resources extraction and consumption strictly complies with the Water Law of the People's Republic of China. During the Reporting Period, the Group invested RMB1,031,000 in special funds to achieve a combined water saving of 303,088 cubic meters, representing 2.9% of the total annual water consumption, through initiatives such as source control, equipment upgrade, water recycling system application renovation and optimization of the frequency of internal water usage, with a reduction of water consumption intensity by 13% compared to 2020.

Year	Total water consumption (m^3/year)	Water consumption intensities (m^3/RMB10,000 income)
2019	9,527,927	3.33
2020	9,381,818	3.10
2021	10,521,811	2.70

Total water consumption and intensity from 2019 to 2021



Plant underground pipeline maintenance improvement

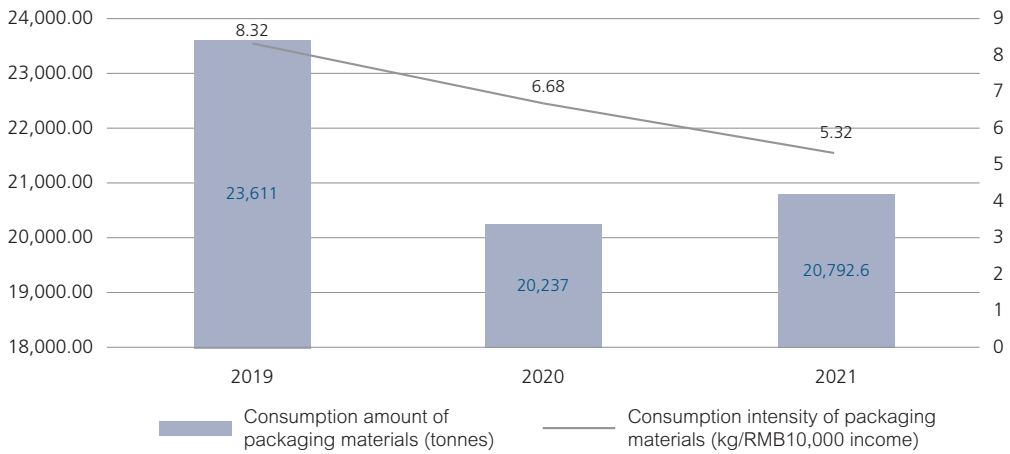
For certain part of old plant areas, we have established a regular inspection and maintenance as well as replacement mechanism, and discovered the potential leakage in underground pipeline. Each plant according to the law of equipment wear and tear and maintenance rolling plan, successively and systematically organizes the census of underground pipeline, overhaul, comprehensive maintenance, cover-conduit to open-conduit changes and other aspects of the renovation work, effectively improves the operational reliability of underground hidden pipeline equipment, reduces water waste, while in the new reconstruction projects conducts more open-conduit, to facilitate the subsequent commencement operation of the inspection and maintenance.

Nullah alteration of Avanc Pharma

The Group consumes various types of packaging materials in the process of product manufacturing, transportation and sales and provision of healthcare services. The Group adheres to the principle of "Source control, optimized use, reduction of resource consumption and pollutant emission", and proactively promotes the reduction of packaging materials from the source design of product packaging, optimization of the product manufacturing process to the improvement of material transportation links; and through the internal recycling of the enterprise, sales, and the resource recycling to promote the recycling of packaging materials. During the Reporting Period, 4,388 tonnes of materials were recycled with a recycling rate of 21.1%.

Year	Packaging materials consumption amount (tonnes)	Packaging materials consumption intensity (kg/RMB10,000 income)
2019	23,611	8.32
2020	20,237	6.68
2021	20,792.6	5.32

Consumption amount and intensity of packaging materials from 2019 to 2021



3.2.4 Soil and Groundwater Management

The Group strictly complies with the Environment Protection Law of the PRC, the Law of the People's Republic of China on Prevention and Control of Soil Pollution and the Environment Protection Law of the PRC, and strongly control soil and groundwater pollution during the beginning to the end full life cycle of operations.

The Group requires pre-acquisition environmental due diligence on all manufacturing companies to identify the environmental risks of the acquired companies. For projects with high potential for soil and groundwater contamination, conditional acquisitions or outright vetoes of acquisitions will be made.

In its daily operations, the Group attaches great importance to the prevention of soil and groundwater contamination. We require subsidiaries to develop hazard classification criteria based on their own type of production activity and type of potential pollutant and adopt a higher level of leak protection for key areas that may have an impact on soil and groundwater, and also apply appropriate impermeability measures as well as strengthen screening and testing during daily operations. During the Reporting Period, a total of 15 subsidiaries conducted a preventive test for factory location soil and groundwater.

4. WIN-WIN PARTNERSHIP

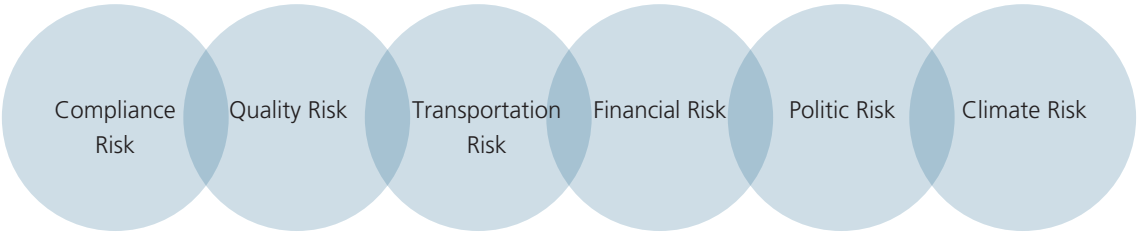
The Group always treats its suppliers as important partners, and considers the establishment of quality industry supply chain with suppliers as one of its corporate responsibilities. Adhering to the procurement principle of "Legal and compliant, transparent and quality first", the Group continuously improves its supplier management system while proactively facilitating sustainable development for the supply chain.

4.1 Supplier Management

In order to promote the systematic and regulated management of suppliers, as well as improve supplier management efficiency, the Group has formulated a series of management and system documents, including the Basic Standards for Procurement and Tender Management (Trial Implementation) and the Basic Standards for Green Supplier Management (Trial Implementation). We have developed comprehensive supplier management procedures, which cover the whole management cycle from supplier identification and exploration, risk assessment, qualification confirmation, comprehensive assessment to partnership termination.

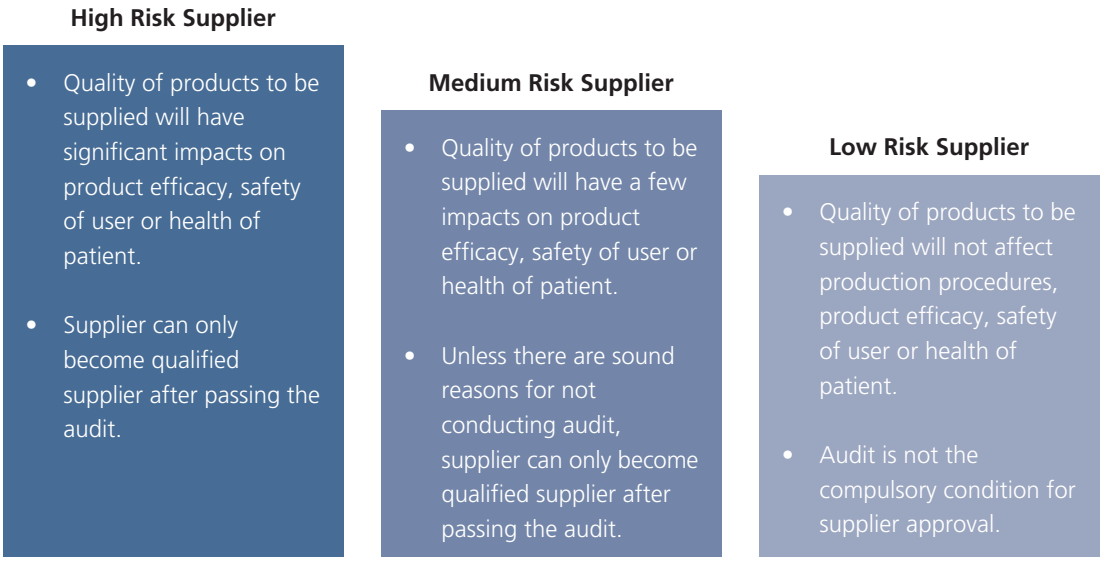
4.1.1 Strict Screening and Selection

As committee members of several industry associations, the Group proactively responds to the requirements on corporate supply chain risk assessment and management set by different associations. Prior to the admission, we will commence multi-channel supplier identification and exploration based on business needs, and target potential suppliers that meet with its needs during the searching process. In respect of identified potential suppliers, taking into comprehensive consideration of various dimensions, the Group will conduct risk assessment on such supplier to identify potential major supply chain risk and avoid establishing partnership with high risk suppliers.



Multi-dimensional Risk Assessment

For any supplier that has passed the risk assessment, the Group further confirms the qualification of such supplier in respects of its material or service provision capability through auditing, Based on the quality risk management principle, the Group classifies potential suppliers into three category, i.e. high risk, medium risk and low risk, based on the materiality of quality of products to be supplied. The higher the risk level of a potential supplier, the higher the access audit requirements. In accordance with requirements under the Supplier Management Measures, the Supplier Appraisal Measures, the Supplier Audit Regulation and other regulatory documents, subsidiaries, in corporation with quality department, R&D department, production department, procurement department and other departments, will conduct objective assessment on qualification document of the supplier, production site operation, technology standard, production capability and supply and other aspects. Meanwhile, the Group will further conduct site inspection on the supply chain management and stability of the supplier. In addition, subsidiaries will conduct production test to check product performance, and collect samples to check product quality.



Supplier Risk Classification

After completing qualification confirmation, approved suppliers will be included in the list of qualified suppliers, and can officially commence commercial cooperation with us. Meanwhile, we will enter into quality agreements with qualified suppliers and create supplier filing. We will maintain and update supplier information and quality agreement on regular basis.

The geographical distribution of domestic pharmaceutical subsidiaries of the Group as at 31 December 2021, is set out below:

Province	Number of suppliers	Province	Number of suppliers	Province	Number of suppliers	Province	Number of suppliers
Beijing	68	Jiangsu	563	Guangdong	88	Gansu	9
Tianjin	50	Zhejiang	186	Guangxi	71	Qinghai	3
Hebei	155	Anhui	63	Hainan	14	Ningxia	4
Shanxi	23	Fujian	16	Chongqing	118	Xinjiang	12
Inner Mongolia	13	Jiangxi	47	Sichuan	103	Hong Kong, Macau, Taiwan	9
Liaoning	110	Shandong	269	Guizhou	2	Foreign suppliers	315
Jilin	32	Henan	47	Yunnan	5	/	/
Heilongjiang	26	Hubei	69	Tibet	2	/	/
Shanghai	335	Hunan	71	Shaanxi	19	/	/

4.1.2 Continuous Management and Control

At the delivery stage upon the admission of supplier, the Group implements classification management for suppliers under the list of qualified suppliers and targeted continuous management measures, aiming to maintain supply chain stability and ensure supply chain product quality and service standards. Suppliers are classified into 4 categories (i.e. A, B, C and D). The materiality of product quality and the effectiveness of the GMP system are the major assessment indicators.

Classification Management for Suppliers

Class A Supplier	Class B Supplier	Class C Supplier	Class D Supplier
• No negative impact on products and business, and GMP system operates effectively. • No measure and action need to be taken, and the on-site audit cycle of such supplier can be appropriately extended.	• No negative impact on products and business, and GMP system operates effectively. • Measure and action may need to be taken, and on-site audit on such supplier should be conducted on regular basis.	• May have negative impact on products and business, and GMP is merely qualified. • Measure and action need to be taken, and on-site audit has to be arranged as soon as possible. May consider downgrade next year if no improvement has been made.	• Have negative impact on products and business, and GMP is unqualified. • Immediate measure and action need to be taken, and arrange on-site audit on such supplier during the year. Such supplier will be replaced if it is certain that improvement cannot be made.

Each year, we will conduct comprehensive assessment on suppliers in respect of quality control, behavior compliance, qualification compliance, delivery and service, changes, complaints and other dimensions through qualification review, document review, on-site audit and other means. The grading of suppliers will be adjusted regularly based on the assessment result. In respect of suppliers with issues discovered under comprehensive assessment, we will provide on-site guidance and training, formulate targeted improvement action plan, and continue to follow up its improvement. If the supplier has successfully made improvement, its grading will be resumed or maintained. If the supplier fails to make improvement, it will be further downgraded, or Fosun Pharma may consider to terminate partnership. In 2021, there were 38 suppliers being rejected by our subsidiaries.

Subsidiaries[11]	Shanghai Henlius	Wanbang Pharma	Yao Pharma	Avanc Pharma	Hongqi Pharma	Aleph	Erye Pharma	Guilin Pharma
Number of suppliers under annual review	140	670	400	62	75	25	149	137
Number of suppliers involved in business for the year	140	780	578	62	75	25	177	137
Proportion of suppliers under annual review	100.0%	86.1%	69.2%	100.0%	100.0%	100.0%	84.2%	100.0%

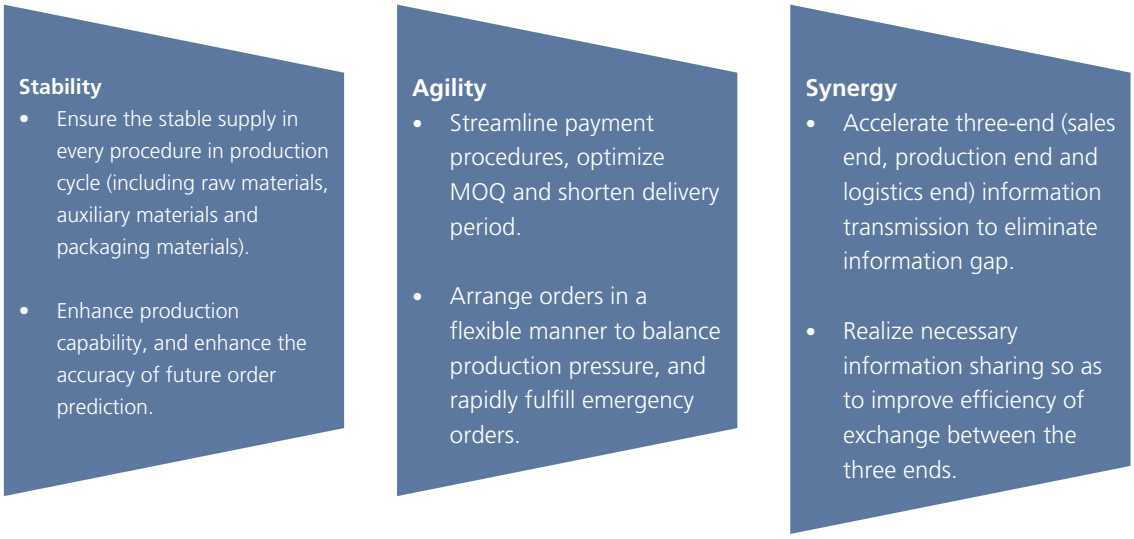
We actively communicates with suppliers in the ordinary course of business. Through visit, telephone, online communication, physical meeting and other methods, Fosun Pharma establishes good relationship with suppliers, discusses the direction of supply chain improvement, and reaches consensus on future development of supply chain. Adhering to the "quality first" procurement principle, we will prioritize in sharing the standard requirement and latest information about product quality with suppliers, and explain relevant meanings and requirements, thereby providing real-time quality trainings for all suppliers.

[11] Subsidiaries reviewed core suppliers, such as suppliers of raw and auxiliary materials and internal packaging materials; some subsidiaries have not conducted annual supplier review for suppliers purchased less than three batches of products during the year.

4.2 Sustainable Supply

4.2.1 Supply Chain Optimization

The sustainable development of the supply chain is not only reflected in the initial procurement process, but production, planning and logistics as important components of the supply chain are also key factors affecting the sustainable development of the supply chain. Therefore, taking Gartner as the benchmark of quality supply chain, and starting from enhancing the stability, agility and synergy of supply chain, the Group strives to achieve full enhancement in whole supply chain covering from the supply end to the customer end.



While enhancing the stability, agility and synergy of supply chain, the Group also spontaneously commences work on the lean supply chain. Under the premise of ensuring product quality, the Group lowers various procurement costs (including raw materials, auxiliary materials and packaging materials) through centralized procurement. In terms of production, the Group implements lean production and flexibly adjusts production plan, so as to avoid unnecessary resources waste. In respect of supply, by streamlining payment procedures, it maintains information synchronization with suppliers and customers, and maximizes the effectiveness of supply by closely monitoring industry and market latest trend.

In 2021, subsidiaries achieved outstanding achievements in terms of the lean supply chain:

In response to the issue regarding high inventory turnover days, Guilin Pharma formulated whole business process measure by analyzing the whole supply chain procedures: changed ordering mode for the front end; internally, it improved order timely delivery rate through secure inventory, pace adjustment, technology upgrade, cross-department cooperation and other means, and shorten the cycle; for the back end, it secured steady, reliable supply through cooperation with suppliers. By improving through internal and external connection, inventory turnover days had reduced significantly, reaching its expected goal.

Through comprehensive diagnosis on end-to-end supply chain, Yao Pharma lowered overall inventory level, shortened delivery cycle and increased inventory turnover rate. Through comprehensive diagnosis on key products, Wanbang Pharma lowered costs, increased production capacity and shorten delivery cycle, thus ensuring the steady supply of materials under centralized procurement.

4.2.2 Responsible Supply

In addition to adhering to the procurement principle of "quality first" while strictly controlling supply chain quality, the Group also highly focuses on the commercial behavior of suppliers. In order to deliver the positive corporate philosophy of complying with business ethics to upstream and downstream suppliers, and jointly create a "Legal and compliant, transparent" industry supply chain, the Group has formulated and issued the Code of Conduct of Suppliers of the Group in accordance with requirements under relevant laws and regulations. The Code of Conduct of Suppliers clearly stipulates the strict requirements on the commercial behavior of suppliers. The selected provisions of code of conduct of suppliers are set out below.

Personal Power

- Respect individual dignity, privacy and other personal rights, and prohibit forced labour.
- Strictly prohibit any form of sexual harassment and negative behavior, including gesture, language and physical contact.

Fair Working Conditions

- Avoid employment discrimination for whatever reason.
- Prohibit child labour and forced labor.
- Respect the legitimate rights of employees, such as fair remuneration, statutory working hours, freedom of association and collective bargaining.

Environment, Health and Safety Management

- Strictly in compliance with laws, regulations and industry requirements in China, as well as various laws and regulations in regions where we operate.
- Provide employees with healthy, safe, environmentally friendly and comfortable working environment.
- Establish management mode based on environment management system, occupational health and safety management system and quality management system (EHS&Q), and conduct regular inspection and review to ensure effectiveness.

Commercial Ethics

- Avoid any form of corruption, blackmail and bribery.
- Protect all confidential information of Fosun Pharma and its business partners. Respect the intellectual property of others, including those of Fosun Pharma.
- In compliance with international trade laws and import restriction rules.

Supplier Procurement

- When selecting lower tier supplier that will directly or indirectly provide goods or services to Fosun Pharma, should require such supplier to comply with standards similar to this code.

Selected provisions of code of conduct of suppliers

In this code, the Group has also issued the whistle-blowing and complaint methods for non-compliance suppliers, and encourages stakeholders to assist us in supervising supplier behavior. For supplier in violation to the code, different penalty will be imposed based on the level of violation. For serious violation, the supplier will be permanently banned from cooperating with the Group. In addition, the Group especially emphasizes in the code that a supplier should request its direct or indirect suppliers to be abided by standards similar to the code when selecting such suppliers. During the reporting period, the Group handled a total of 126 cases of violation by suppliers.

4.2.3 Green Supply Chain

In order to support sustainable development of the industry supply chain, and deliver the positive corporate development philosophy, Fosun Pharma has jointly launched the green supply chain project called "Green Fosun" together with its subsidiaries and upstream and downstream suppliers. The project primarily aims to strengthen the EHS self-governance capability of suppliers, and creates a healthy industry supply chain by raising EHS performance of suppliers. The Basic Standards for Green Supplier Management, as formulated by the Group, is the major management document for this project, which clearly set out our eight major standards for green supply chain. In addition, Fosun Pharma has spontaneously issued the Proposal of Green Supply Chain. As at 31 December 2021, a total of 7,193 suppliers signed the Proposal.

Eight Major Standards for the Basic Standards for Green Supplier Management

Fosun Pharma and each of its subsidiaries regularly conduct on-site audit on the green supply chain to their suppliers, and grade their suppliers based on the audit results. In respect of non-compliance behavior, we will communicate with suppliers on the rectification proposal, and follow up subsequent improvement on a continuous basis. As at 31 December 2021, the subsidiaries conducted 411 audits on green supply chain to raw material, packaging material and auxiliary material suppliers.

5. FOCUSING ON TALENT

The Group is committed to becoming a first-class enterprise in the global mainstream medical and health market with the brand concept of "Innovation for Good Health". We adhere to the talent value of "Attracting Talents through Development, Building Our Team through a Common Cause, Training Talents through Their Works, and Evaluating Talents through Their Performance". The Group regards employees as the most valuable assets, highly values the diversified development and sustainable cultivation of talents, and promotes the common growth of employees and the Company by enhancing employee care and ensuring employee occupational health. During the reporting period, Fosun Pharma was awarded the 2021 China Talent Management Best Practice Award by SHL[12].

5.1 Diversity and Equal Opportunity

5.1.1 Employment Management

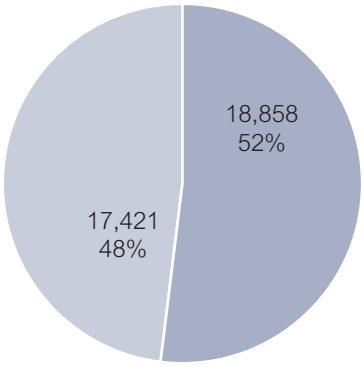
Fosun Pharma and each of its subsidiaries strictly abide by the laws and regulations of the countries or regions where we operate, eliminate child labor and other forced labor, and respect employees' political rights and freedom of association. We insist on equal and fair treatment for employees of different nationalities, races, religious beliefs, genders and ages, and creating a diverse, inclusive, fair and reasonable workplace environment for all employees.

The Group attaches great importance to the integration of diverse cultures and the overall achievements of the team, respects the diverse backgrounds of various companies, and resolutely opposes any form of discrimination and harassment. We emphasize the establishment of mutual trust and mutual support through honesty and openness, solidarity and collaboration, and the combined role of the team. We insist on equal pay for equal work and sign labor contracts with all employees in accordance with the law. We have clarified our zero-tolerance attitude towards discrimination and harassment in our Employee Handbook, and have incorporated content related to multiculturalism and equality in new employee training and annual training plans to ensure that all employees receive annual training.

[12] SHL is a global and authoritative service provider for talent assessment.

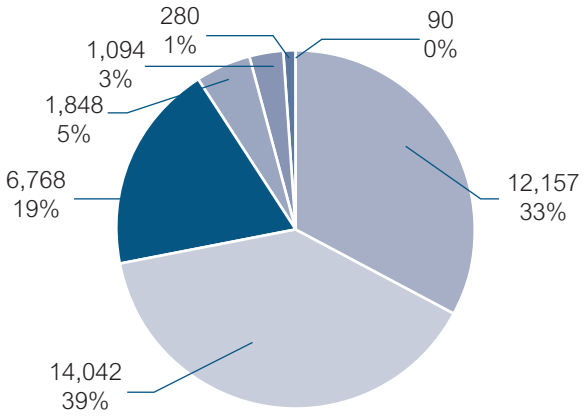
As at 31 December 2021, the Group had a total of 36,279 employees, representing an increase of 12.47% as compared to 2020.

Total number of employees by gender (people, %)



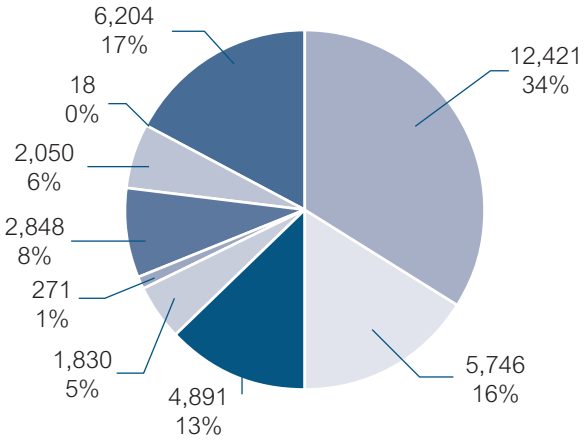
Male Female

Total number of employees by age (people, %)



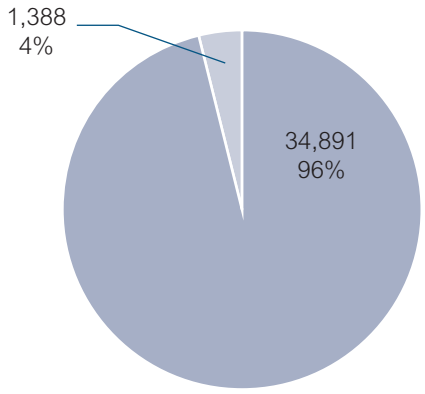
Aged 16–20 Aged 20–30 Aged 30–40
Aged 40–50 Aged 50–55 Aged 55–60
Aged above 60

Total number of employees by region (people, %)



Eastern China Southern China Central China
Northern China Northwest China Southwest China
Northeast China Hong Kong, Macao and Taiwan Overseas

Total number of employees by types of employment (people, %)



Full-time Part-time

[13] Employing minors aged 16–18 shall strictly abide by the relevant provisions of the state on the protection of minors.

5.1.2 Caring Employees

The Group advocates a healthy, harmonious and pleasant working atmosphere, and is committed to creating a "loving and warm" working environment. We set up the Cultural Working Committee as an inter-departmental coordination agency to guide and help subsidiaries build a corporate culture with consistent core values. Through carrying out a variety of employee activities, promoting environmental protection and quality and other management month activities, we have establish an enterprise cultural propaganda team to assist in-depth internal communications. The Group's Employee Handbook stipulates that all employees of Fosun Pharma and its subsidiaries have the right to participate in and organize trade unions in accordance with the law. We support employees' active participation in various activities of the Party's trade unions, and provide necessary facilities and funds for activities.

Employee benefits	Allowance: transportation, communication, lunch and high-temperature
	Insurance: personal accident, critical illness, vehicle accident, additional medical
	Festival benefits: statutory holiday benefits (e.g. Women's Day, Children's Day, Mid-Autumn Festival, Lantern Festival and Chinese New Year)
	Other benefits: single child, physical examination, team-building, marriage, residual, funeral, retirement

Fosun Pharma and the trade unions of its subsidiaries actively care about the lives of employees, and visited employees for children birth, illness, funeral, assistance for poverty alleviation or school attending,, providing considerate services and assistance for employees. The Group has provided holidays and benefits in accordance with national and local laws and regulations for all female employees during their three stages in pregnancy (i.e. pregnancy period, maternity period and breastfeeding period). The working position of a pregnant employee is retained unless the employee resigns, and she can go back to her position after maternity holidays. In addition, male employees whose spouses give birth are entitled to paternity leave in accordance with the law to ensure the rights and interests of employees and their families.

5.1.3 Communications with Employees

The Group encourages equal dialogue between employees as well as between superiors and subordinates. We believe that a good, harmonious and sincere interpersonal relationship and a harmonious, trusting and co-progressive working atmosphere are the basis for our efficient work. We have clearly stated in the Employee Handbook that all department heads, human resources personnel and company executives shall provide assistance to employees in improving job satisfaction, labor security, career planning, and compliance.

The Group has established smooth communication and appeal channels. Through an increasingly enhanced information system, employees can transmit, exchange and share internal and external information through the internal network platform, by means of e-mail, enterprise OA system, DingTalk and other forms of communication. We have established a complete employee grievance process. If employees encounter any unresolved questions or obstacles at work, or believe that their personal interests have been unduly infringed, or have different suggestions for business management measures, or discover any violation of the corporate regulations, can report to the immediate supervisor, department head or human resources department through the above channels. If the problem cannot be resolved or the employee thinks that it is inappropriate to appeal through normal channels, the employee can appeal to the president of the Company.

The Group always fully respects the hearing and appeal rights of employees and offers an unimpeded channel for them to complain and express their opinions by setting up a disciplinary committee and a secretariat of the disciplinary committee to improve the appeal mechanism and appeal process. At the same time, the Group fully protects the complainant's reasonable claims and legitimate rights and interests, and takes measures to keep confidentiality and safeguard employees from retaliation to protect employees' right to express their opinions.

In order to listen carefully to the voices of employees and to optimize the direction of organizational construction, during the Reporting Period, Fosun Pharma and its subsidiaries collected and analyzed the results of employee engagement. The engagement survey aimed to understand the core advantages and key improvement directions of Fosun Pharma Group's organizational management from six dimensions: organizational environment, management methods, job responsibilities, salary performance, career development and professional performance. Based on the feedback results, the human resources departments of Fosun Pharma and its subsidiaries have respectively formulated employee management plans and satisfaction improvement plans for the next year, and are committed to creating a better working environment for employees.

5.2 Development of Human Capital

The Group attaches great importance to "Building Our Team through a Common Cause". The Group has established an incentive mechanism to share the fruits of development with its employees. In this way, employees can gain a sense of professional achievement in the enterprises and are willing to contribute their own strength to the development of the Company in the long term.

5.2.1 Diversified Recruitment

The Group continues to enrich recruitment channels and is committed to building a high-potential talent pool to inject a steady stream of fresh talents into the development of the company. We have built a number of distinctive and attractive recruitment projects, and cooperated with universities and subsidiaries to improve our ability to attract talents:

Star YAO Plan: Global campus recruitment project for functional management trainee, including finance, human resources, IT, operational quality, lean management, supply chain, EHS and other functions. The project targets all fresh graduates (bachelor, master, doctoral), provides cross-enterprise and cross-functional job rotation training opportunities and fast promotion channels within 3 years, and aims at cultivating backbone and young management for the Group.

Honghu Plan: Global campus recruitment programme for investment management trainee, targeting fresh doctoral graduates majoring in biomedicine from top universities. The trainees will be taught and trained by an internal experienced investment team, aiming to strengthen the investment talent pool within the organization and cultivate high-performing and high-potential candidates as future successor.

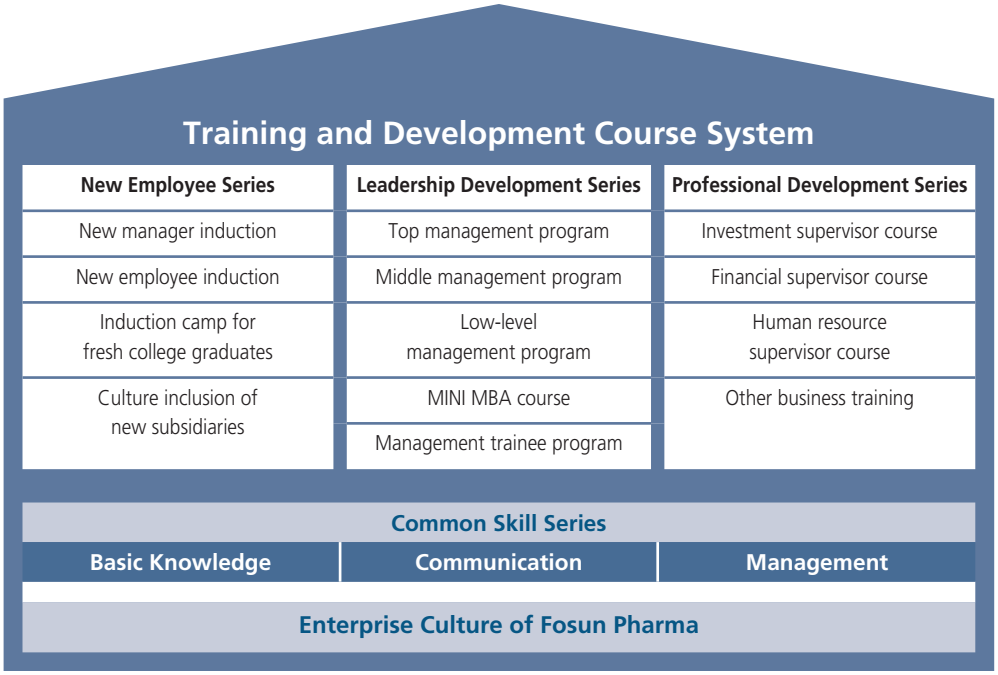
Super Star Creation Camp: Summer intern program, which mainly prepares for the autumn campus recruitment "Star YAO Plan", provides practical opportunities for student representatives from top universities. Interns with excellent performance have the opportunity to directly join Fosun Pharma Group. In this way, we can screen and nurture outstanding talents in advance.

Star Transfer Plan: Internal talent mobility project, encourages employees to transfer jobs across departments, functions, and companies, so as to help employees find a more suitable orientation and career development direction. Enterprises can also cultivate all-round, multi-skilled and adaptable management talents.

Joint training plan: The Group entered into a joint training program for professional master degree with China Pharmaceutical University and Shenyang Pharmaceutical University to fully utilize the advantages of all parties in teaching, scientific research, and personnel training, deepen the integration of production and education, promote "customized personnel training", and provide talent and technical support for the development of the pharmaceutical industry.

5.2.2 Talent Training

Adhering to the talent management strategy of "pursuing a high degree of harmony and unity between personal success and enterprise development", we highly link the personal development of employees with the development of enterprises to the maximum extent, and highly integrate the progress of enterprises with the promotion of personal values. Relying on the Group's enterprise culture, we continue to carry out four series of training programs, namely "New Employee Series", "Leadership Development Series", "Professional Development Series" and "Common Skill Series".



Training System of the Group

New Employee Series	Leadership Development Series	Professional Development Series	Common Skill Series
• Fosun Pharma provides informative orientation, executive luncheon and panel sharing to fresh employees in the Group and continued to care about their work and life within three months since Day 1, to help newcomers integrate into the Group's culture and environment better and quicker. In 2021, in addition to immersion training for new employees, we also organized "One Fosun Military Training Summer Camp" for fresh graduates.	• For those with certain experience, as well as senior and top management personnel, we provide pertinent management and leadership program, which will accelerate the development of leadership and reserve excellent talents for the Group. On the basis of the previous executive committee training, we have expanded the scope of management training, that is, we have integrated the top leaders of each member company to form a partner training mechanism; in addition, for high-potential management trainees who have just entered the Company for 1-2 years, we launched a series of basic leadership training and team activities.	• The Company cooperates with member companies to set up specialized training programs for professional fields such as quality and finance, and train future leaders in key professional fields for the Company.	• A monthly "Lunch Sharing Session" is held for all employees, and senior executives of Fosun Pharma, top leaders of member companies and external professionals are invited to share corporate strategies, best practices, hot topics, etc. In 2021, we promoted the FoTED internal lecturer program. Meanwhile, we also hold monthly "common skills training" for all employees, provide professional and refined training, apply the knowledge learned in work, and help employees improve their personal soft skills, broaden their horizons, and increase their knowledge.

The Group attaches great importance to the construction of talent teams and the professional growth of employees. In order to equip employees with the latest skill set, we have established a corporate university, Fosun HealthCare Management Institute, which provides "four platforms": the headquarters leadership and functional training platform, platform of professional skills training base for subsidiaries, platform for the inheritance of knowledge and experience, and platform for dissemination of cultural concepts, helps employees learn from working and grow from learning through effective resource integration, to boost the Company's continuous development.

Headquarters leadership and functional training platform

- Set up a systematic training program, and establish an enterprise talent team through the training of MT, low-level, middle and top leadership, as well as the training of talents in core positions in various functional lines (investment, finance, EHS).

Platform of professional skills training base for member enterprises

- Improvement platform of professional skill that employees should know; study the standard actions, best practices and difficulties of each post in-depth, establish work skill standards for each post, and provide training.

Platform for the inheritance of knowledge and experience

- Through the in-depth study and development of internal cases and internal lecturers, and building of sharing platform, tacit knowledge is made explicit, personal knowledge is organized, and inheritance is conducted through training and "teaching".

Platfom for dissemination of cultural concepts

- Inherit and carry forward the enterprise culture of Fosun Pharma Group under ONE-FOSUN, so that all employees can learn, think, and act in harmony.

Functions of "Four Platforms" of Fosun HealthCare Management Institute

Wanbang Pharma improve employees' learning motivation
Wanbang Pharma, a subsidiary, selected learning topics for the corresponding positions for employees, and provided employees with thematic learning courses through PC computer the mobile WeChat. After completing the "Wanbang Pharma Staff Online Training-Comprehensive Training" and the corresponding job learning topics, employees can take a test in the testing center on the learning platform. After completing the special study and passing the examination, the employees who had been certified by the Xuzhou Vocational Skills Appraisal and Guidance Center and had been issued a certificate of qualification can receive a study subsidy of RMB500 per person.

Fosun Pharma attaches great importance to the self-learning of employees and strives to create favorable learning environment for employees. We cooperate with schools and educational institutions to carry out MBA (Master of Business Administration) joint training, ACCA (the Association of Chartered Certified Accountants) training and other programs for employees, provide employees with degrees and professional qualification certification, and encourage employees to improve their professional ability and achieve self-growth with practical actions. Our programs are open to all employees. In addition to regular employees, we also actively encourage part-time employees and outsourced employees to strive for self-improvement.

The Group's training during the Reporting Period is as follows:

Indicators[14]	Unit	2021
Total training expenses	RMB0'000	837
Average training hours per person	Hour	19
Percentage of employees trained	%	58%
By gender		
Percentage of male employees trained	%	53%
Percentage of female employees trained	%	47%
Average training hours per male employee	Hour	19
Average training hours per female employee	Hour	20
By employment level		
Percentage of senior management trained	%	1.3%
Percentage of employees trained except senior management	%	98.7%
Average training hours per senior management	Hour	14
Average training hours per employee except senior management	Hour	20

5.2.3 Talent Incentive

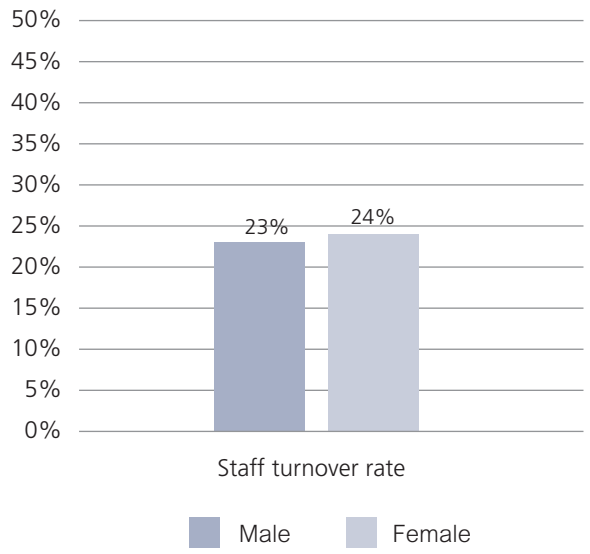
The Group emphasizes "the assessment by performance". The design, implementation and result utilization of the performance management system are based on the comprehensive and objective assessment of employees' overall performance and are meant to improve the matching among employees' quality, capability, performance and functional requirements and facilitate sustainable development between employees and the corporation. The headquarters conducts performance accessment to all employees on a regular basis every year, a department-based normal distribution is enforced on the performance results of employees at the Group. With reference to the 360-Degree Feedback System, it is meant to tailor personalized enhancement and improvement solutions for each employee in order to enhance their specific performance and capabilities.

Focusing on the features of the corporate business development, we first developed the initial framework of a long-term incentive system of Fosun Pharma by setting up the "Long-term Incentive Plan for Management of Subsidiaries", "Restricted Stock Incentive Plan", "R&D System Incentive Plan", "Incentive Plan for Strategic Investment Items", "Incentive Plan for Pre-IPO Investment Items", etc.

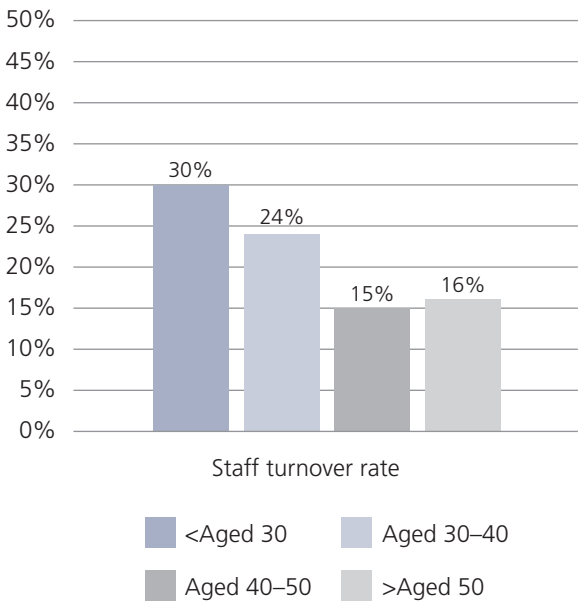
Constantly perfected, the long-term incentive system of the Group realizes the strategic support and innovation in terms of business development. The compensation and incentive system of the Group has been practiced by the management over the years. The systems effectively support investment and operation strategies and cover the headquarters and subsidiaries to successfully facilitate the fulfillment of long-term corporate performance goals. It has also helped inspire and retain talent management goals. During the Reporting Period, the staff turnover rate was 21.01%.

[14] Percentage of employees trained = Employees trained / total workforce.
Percentage of employees trained by relevant category= Employees trained by that category / Employees trained.

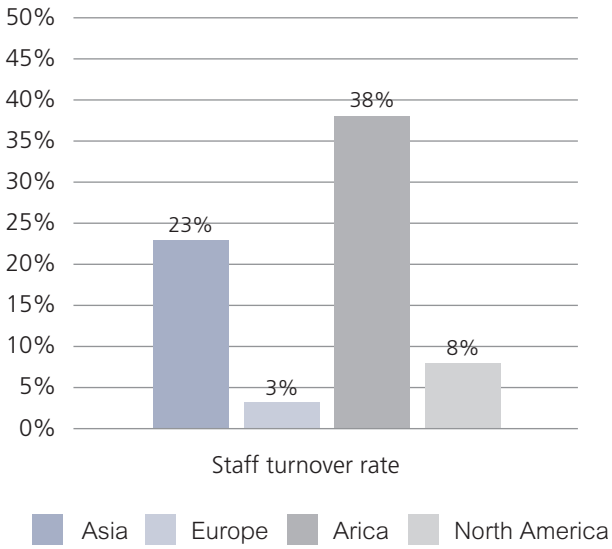
Staff turnover rate by gender



Staff turnover rate by age



Staff turnover rate by region



5.3 Occupational Health and Safety

5.3.1 Safety Management

Following the principle of "safety first, prevention-foremost, comprehensive treatment", the Group strengthens and fulfils its safety production responsibility, and establishes the mechanism featuring enterprise accountability and employee participation; abides by relevant local and national laws, rules, regulations and standards on safety production, strengthens safety production management, establishes and improves safety production rules, and promotes standardization of safety production. To this, we have established the annual safety goal of zero occupational death and zero major injury incident during a year, and maintaining the lost time injury rate in 2021–2025 at 0.3 and below, and the recordable incident rate in 2025 to decrease by 10% as compared to 2020. We have carried out risk assessment, established SOP and emergency response systems, planed and implemented employee training, conducted troubleshooting and rectification, promoted good practices, and built safety culture to enhance safety production level. In the past three years (covering the Reporting Period), the Group had not had any work-related death. In 2021, the Group had 282 lost days due to work-related injuries, and the lost time injury rate per million working hours was 0.17, and the recordable incident rate was 0.355, successfully achieving our safety goal.

5.3.2 Employee Health

Employee health protection is one of the important contents of our EHS work. The Group proactively fulfills the occupational health responsibilities, and establishes the responsibility management system for the occupational disease prevention of all employees. We follow the national requirements on occupational health risk warnings, individual protection, on-site supervision and sampling, and employee health examination in daily supervision, in order to realize the closed-loop management of occupational health. We strictly abide by the provisions of the "Three Simultaneousness" management of occupational disease prevention facilities for construction projects, conduct risk evaluation for toxic and harmful positions, regularly arrange occupational health examinations for employees in daily work and in contact with occupational hazards, strengthen the provision of protective facilities and articles for occupational health, and improve warning signs for occupational disease hazards.

Observation activities for employee behavior and safety

According to the statistics of lost time injury from 2016 to 2020, it was found that accidents caused by employees' tripping and slipping caused by working environment and accidents caused by employees' unsafe behavior accounted for 39% and 33% respectively. In order to further reduce the probability of employee injury, a special observation activity for employee behavior and safety (BBS) was carried out in the 2021 EHS Management Month to guide employees to discover and stop unsafe behaviors and status. Employee behavior safety observation focused on seven high-risk operation activities such as work high above the ground, fire operation, mechanical protection, electrical safety, heavy object lifting, limited space, and explosion-proof safety in the process. Safety observation looked for unsafe behavior of employees in the seven high-risk operation activities to guide employees to reflect on and correct unsafe behaviors. Meanwhile, employees are encouraged to say "no" to similar unsafe behaviors and unsafe conditions around them to truly achieve a culture in which all employees participate in "everyone speaks about safety and everyone manages safety". We also encouraged early detection, early prevention, and early eradication of accident seedlings so as to achieve the goal of "zero injury" on the production site. The core manufacturing subsidiaries carried out this activity and obtained a total of 264 observation cards for behavior and safety.

In order to promote employees' physical fitness and further increase their activity time, the Head Office Labor Union has offered Tai Chi classes, yoga classes and dance classes throughout the year; established more than 10 clubs including dancing, running group and basketball to hold diversified club activities on a regular basis. Meanwhile, it has strengthened the management of employee gym, ping pong room, basketball court and tennis court of Fosun Science Park and Fosun Sci-tech Innovation Center, updated health facilities, and initiated and completed the construction project of Shanghai Henlius Songjiang Base Fitness Center, for the convenience of health exercise of employees in their spare time.

6. COMMUNITY CARE

As a pharmaceutical company not afraid of shouldering corporate social responsibility, the Group dedicates on welfare business development, upholding the welfare idea of "talents and product sustainable development" to strive to achieve the welfare goal of "Innovation for Good Health".

The Group actively facilitate patient-centered welfare project, providing our strength in defending patients' health. Meanwhile, we keep abreast of the social demand, aiding rural villages to build medical system and support the medical education development.

Care for Health

The health of the public has always been a key concern of the Group. We are committed to global health, and we continue to contribute to the building of a global health community through our various charity activities.

Fighting malaria

Malaria is a global public health issue with great concern of the international community, and the Group has always regarded the fight against malaria as our major responsibility. As at the end of 2021, we had supplied more than 200 million vials of injectable artesunate to the international market, helping more than 40 million people suffering from severe malaria worldwide regain their health.

25 April is World Malaria Day. To actively respond to the World Health Organization's call for "Zero Malaria Starts with Me", the Group joined hands with Fosun Foundation to launch a series of charity activities around the world on the World Malaria Day 2021, including lighting up landmarks around the world with the slogan "Towards Zero Malaria", conducting a seminar on malaria prevention and control for students of Yianmode High School (伊安莫德高中) in Nigeria, organizing the "World without Malaria in My Heart" drawing competition with the Biken International High School (比肯國際高中) in Ghana, etc. to help the international community realize the goal of "Together We Build a Malaria-Free World" as soon as possible.

"Fosun Love 121 (星愛121)" Special Fund

The "Fosun Love 121 (星愛121)" Special Fund is set up by the Group together with Shanghai Fosun Foundation ("Fosun Foundation"), with the three major directions of Care for Health, Technology Innovation, Charitable Donation, and is committed to helping people overcome illness by providing all-round full cycle health management services for family clients focusing on the unmet medical needs.

In September 2021, Fosun Health under the Group, together with Fosun Foundation, the Anti-Lymphoma Alliance and Anti-Leukemia Alliance of the CSCO China, China Anti-Cancer Association Specialist Committee on Haematology and Oncology, Lymphocytic Diseases Unit under the Society of Hematology of Chinese Medical Association Lymphoma Specialist Committee of Chinese Aging Well Association collectively launched the 1-month "Light Up the Stars, Regain Confidence" Fosun Love 121 Health Care Month Campaign. The campaign includes both online and offline forms. We invited nearly 100 authoritative experts from across the country to provide free medical consultations, popular science education and live webcasts.

During the above campaign, a total of 26 free specialist clinics, 45 online patient education sessions and over 50 offline voluntary medical consultation and patient education sessions were held, with over 25,000 participants.

Dancing with Love and Enjoying a Beautiful Life

In 2020, breast cancer overtook lung cancer as the most prevalent malignancy in the world, and was the number one cancer among Chinese women. In addition to treatment, the full cycle health management of patients, including psychological support and reproductive rights, was gaining attention from the society.

On 8 May 2021, co-organized by Shanghai Fosun Foundation and Shanghai Angelcare Cancer Care Center and supported by Shanghai Henlius, "Dancing with Love and Enjoying A Beautiful Life" 2021 Mother's Day Breast Cancer Health Charity Salon Campaign was held in Shanghai. In the campaign, a number of breast cancer patients, medical experts and psychotherapists were invited to share their views on issues such as fertility preservation, pregnancy preparation precautions, parent-child communication and emotional management for breast cancer patients. Participants in this campaign not just learned authoritative medical knowledge, but also acquired the power to move forward through learning about other people's stories and sharing their own stories.

Fight against the pandemic

In the face of the pandemic, all of us at Fosun Pharma demonstrated a high degree of social responsibility and a sense of mission. We fully mobilized resources from all sides, took the initiative and acted swiftly. We stepped up our scientific research efforts, tapped into our production capacity, and did our utmost to ensure the supply of emergency drugs and medical devices, fully demonstrating Fosun's speed, strength and commitment with practical actions.

Health donation to Xi'an

During the outbreak of COVID-19 in Xi'an, the Group and the Fosun Foundation jointly donated 3,000 cans of kidney dialysis high protein and low sodium nutrition products to Xi'an Gaoxin Hospital, and urgently donated 8 sets of haemodialysis machines and Fosun Health's Xizhizhu (析之助) Haemodialysis Intelligent Management System to Xi'an Huashan Central Hospital in order to solve the problem of being unable to carry out dialysis treatment in time due to the pandemic.

Donation of supplies to fight the epidemic in Inner Mongolia
On 17 October 2021, a new round of indigenous outbreaks in Ejina Banner, Inner Mongolia, caused by tourists, became the largest imported indigenous outbreak since the normalization of pandemic prevention and control. As at 24:00, 14 November, 1,308 locally confirmed cases in 21 provinces were reported in mainland China. Fosun Health under the Group donated anti-epidemic materials including 4,800 3M N95 (9132 model) masks to Yinchuan First People's Hospital through Fosun Foundation. In order to deliver high quality medical resources and services, we will continue to accelerate the launch of the Yinchuan Internet Hospital.

Rural Village Revitalization

To expand the service radius of quality medical resources, improve the medical standards of remote rural areas and realize the dream of a healthy China, the Group is actively implementing the "Rural Village Revitalization" program.

Rural Village Revitalization Health Demonstration Project
On 6 November 2021, the Group signed the "Village Revitalization Health Demonstration Project" memorandum of strategic cooperation with the International Exchange and Cooperation Centre of the National Health Commission. Both parties will take building the medical capability of rural doctors and enhancing the capacity of primary medical services as the starting point and focus on the needs of key groups such as the elderly and children in rural areas, and actively explore experiences that can be replicated and expanded across the country to promote common prosperity and contribute to the construction of a healthy China and the revitalization of rural areas in the new development stage. According to the memorandum, both parties will continue to improve and strengthen the primary health service system, talent teams and medical and health service capacity, and explore a new model of innovative service.

Supporting Education

The Group actively supports education and technological innovation for young talents, and has collaborated with a number of universities and set up the "Future Star Project" to promote the development of education in the Chinese pharmaceutical industry and nurture and explore talents for the industry.

Future Star Project

In 2021, the Group continued to support education through the "Future Star Project", and set up scholarships and grants at five institutes, namely School of Life Sciences of Fudan University, China Medical University, Shenyang Pharmaceutical University, Tongji Medical College of Huazhong University of Science and Technology and Xuzhou Medical University, to encourage outstanding students to continue to climb the medical peak, and to inspire teachers to devote themselves to research and cultivate the pillars of society. Through such university-enterprise cooperation method, Fosun Pharma deepened its cooperation with universities, complementing each other's strengths and sharing resources to achieve the cultivation and transfer of talents. Over the past year, more than 150 outstanding students and teachers were provided with incentives.

Biographical Details of Directors, Supervisors and Senior Management

DIRECTORS

Mr. Wu Yifang (吳以芳), aged 52, was appointed as an executive Director of the Company in August 2016, the chairman of the Company in October 2020, and the chief executive officer of the Company in June 2016. Mr. Wu joined the Group in April 2004. Mr. Wu was the Company's senior vice president, chief operating officer and president. Mr. Wu is currently a non-executive director of companies listed on the Hong Kong Stock Exchange, namely Sisram Medical Ltd (stock code: 01696) and Shanghai Henlius (stock code: 02696), and a non-executive director of Gland Pharma (stock code: GLAND), a company listed on the BSE and NSE. From September 2020 to June 2021, Mr. Wu was the chairman of the supervisory committee of Sinopharm (stock code: 01099), a company listed on the Hong Kong Stock Exchange. Prior to joining the Group, Mr. Wu was a technician, director, production officer, finance director and assistant to director of Xuzhou Biochemical Pharmaceutical Factory* (徐州生物化學製藥廠), a deputy director of Xuzhou (Wanbang) Biopharmaceuticals Manufactures Plant* (徐州(萬邦)生物化學製藥廠), and the deputy general manager of Xuzhou Wanbang Biochemical Pharmaceutical Co., Ltd.* (徐州萬邦生化製藥有限公司) and Jiangsu Wanbang (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 Jiangsu Wanbang Biochemical Pharmaceutical Co., Ltd.* (江蘇萬邦生化醫藥集團有限責任公司)). 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 rotating 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), the First Honorary President of Gansu Medical and Health Industry Development Association (甘肅省醫藥健康產業發展協會), and a representative of Jiangsu 13th National People's Congress. Mr. Wu graduated from Nanjing University of Science and Technology (南京理工大學) majoring in international commerce and obtained a master degree in business administration from Saint Joseph's University.

Mr. Wang Kexin (王可心), aged 57, was appointed as an executive Director of the Company in December 2021, and also a vice chairman of the Company in January 2022. Mr. Wang joined the Group in June 2010. He served as the vice president and senior vice president of the Company from June 2010 to October 2020 and has been served as the co-president and chief investment officer of the Company from October 2020 to January 2022. Prior to joining the Group, Mr. Wang served as the deputy general manager of Sea Rainbow Holding Corporation* (海虹控股醫藥電子商務有限公司), the marketing director of Kunming Pharmaceutical Group Corporation Limited* (昆明製藥集團股份有限公司) (stock code: 600422), a company listed on Shanghai Stock Exchange, the general manager of Kunming Pharmaceutical Retail Company Limited* (昆明製藥藥品銷售有限公司), the general manager of Beijing Huali Jiuzhou Medical Company Limited* (北京華立九州醫藥有限公司), the vice president of Chongqing Huali Pharmaceutical Industry Company Limited* (重慶華立藥業股份有限公司) (stock code: 000607), a company formerly listed on the Shenzhen Stock Exchange, and the chairman of Beijing Tianren Hexin Pharmaceutical Company Limited* (北京天仁合信醫藥經營有限責任公司). Mr. Wang obtained a bachelor degree of medicine from Shenyang Pharmaceutical University (formerly known as Shenyang Pharmaceutical College).

Ms. Guan Xiaohui (關曉暉), aged 50, was appointed as an executive Director of the Company in December 2021 and a vice chairman of the Company in January 2022. Ms. Guan joined the Group in May 2000 and served as the president assistant, general manager of the financial department, chief accountant, vice president and chief accountant, senior vice president and chief financial officer of the Company from May 2000 to October 2020, and has been served as the executive president and chief financial officer of the Company during the period from October 2020 to January 2022. Ms. Guan is currently a non-executive director of Shanghai Henlius (stock code: 02696), a company listed on the Hong Kong Stock Exchange, and a non-executive director of Gland Pharma (stock code: GLAND), a company listed on the BSE and NSE (stock code: GLAND), and has served as the chairman of the supervisory committee of Sinopharm (stock code: 01099), a company listed on the Hong Kong Stock Exchange from June 2021. Ms. Guan served as a non-executive director of Sinopharm, a company listed on the Hong Kong Stock Exchange (stock code: 01099), from March 2019 to March 2021. 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. Chen Qiyu (陳啟宇), aged 49, was appointed as a non-executive Director of the Company in October 2020. Mr. Chen was the Company's general manager, secretary to the Board, vice chairman, executive Director and chairman from April 1994 to October 2020. Mr. Chen is the chairman of Fosun High Tech, an executive director and a co-chief executive officer of Fosun International (stock code: 00656), a non-executive director and vice chairman of Sinopharm (stock code: 01099) and a non-executive director of Shanghai Henlius (stock code: 02696), all of which are companies listed on the Hong Kong Stock Exchange, 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, and a director of Gland Pharma (stock code: GLAND), a company listed on the BSE and NSE. He has also served as a co-chairman of the board of Unicorn II Holdings Limited since January 2022. Mr. Chen was a director of Zhejiang Dian Diagnostics Co., Ltd.* (迪安診斷技術集團股份有限公司), a company listed on the ChiNext on the Shenzhen Stock Exchange (stock code: 300244), a non-executive director of Babytree Group, a company listed on the Hong Kong Stock Exchange (stock code: 01761), and a co-chairman of the board of New Frontier Health Corporation (stock code: NFH), which was delisted from the New York Stock Exchange in January 2022 and merged into Unicorn II Holdings Limited. 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), vice chairman of the Shanghai Society of Genetics* (上海市遺傳學會) and a member of the 13th Shanghai Standing Committee of the Chinese People's Political Consultative Conference. Mr. Chen obtained a bachelor degree in genetics from Fudan University (復旦大學) and an executive master of business administration from China Europe International Business School (中歐國際工商學院).

Mr. Yao Fang (姚方), aged 52, was appointed as a non-executive Director of the Company in October 2020. Mr. Yao was the Company's general manager, president and chief executive officer, executive Director, vice chairman and co-chairman from April 2010 to October 2020. Mr. Yao is an executive president and co-chief investment officer of Fosun International (stock code: 00656), a company listed on the Hong Kong Stock Exchange, and a vice chairman of Beijing Sanyuan Foods Co., Ltd.* (北京三元食品股份有限公司) (stock code: 600429), a company listed on the Shanghai Stock Exchange. Mr. Yao was the chief supervisor of Sinopharm, a company listed on the Hong Kong Stock Exchange (stock code: 01099). 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 deregistered in April 2011, chairman of Shanghai Overseas Company (上海海外公司), non-executive director of Lianhua Supermarket Holdings Co., Ltd.* (聯華超市股份有限公司) (stock code: 00980), a company listed on the Hong Kong Stock Exchange, and executive director of Shanghai Industrial Holdings Limited* (上海實業控股有限公司) (stock code: 00363), a company listed on the Hong Kong Stock Exchange. Mr. Yao obtained a bachelor degree of economics from Fudan University (復旦大學) and a master degree of business administration from The Chinese University of Hong Kong.

Mr. Xu Xiaoliang (徐曉亮), aged 48, 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, a director of Shanghai Yuyuan Tourist Mart Co., Ltd. (上海豫園旅游商城股份有限公司) (stock code: 600655) and a director of Hainan Mining Co., Ltd.* (海南礦業股份有限公司) (stock code: 601969), which are companies listed on the Shanghai Stock Exchange, and a director of Shanghai Foyo Culture & Entertainment Co., Ltd.* (上海復娛文化傳播股份有限公司) (delisted from NEEQ in April 2021). Mr. Xu was a non-executive director and vice chairman of Zhaojin Mining Industry Company Limited* (招金礦業股份有限公司) (stock code: 01818), a company listed on the Hong Kong Stock Exchange, and a director of Shanghai Resource Property Consulting Co., Ltd.* (上海策源置業顧問股份有限公司) (delisted from NEEQ in December 2020). Mr. Xu is currently a deputy to the 15th Shanghai Municipal People's Congress, co-chairman of Industry-City Integration Development Federation of The Zhejiang Chamber of Commerce, Shanghai and the chairman of the Shanghai International Fashion Federation. Mr. Xu graduated from Innova Education School of Singapore with a diploma, obtained his master's degree in business administration from the East China Normal University and his master's degree in business administration from Fudan University.

Mr. Pan Donghui (潘東輝), aged 52, was appointed as a non-executive Director of the Company in June 2020. Mr. Pan is currently the executive president and chief human resources officer of Fosun International (stock code: 00656), a company listed on the Hong Kong Stock Exchange, a director of Shanghai Foyo Culture & Entertainment Co., Ltd.* (上海復娛文化傳播股份有限公司) (delisted from NEEQ in April 2021), and the chairman of the supervisory committee of Shanghai Ganglian E-Commerce Holdings Co., Ltd.* (上海鋼聯電子商務股份有限公司) (stock code: 300226), a company listed on the Shenzhen Stock Exchange. Mr. Pan was a non-executive director of Linekong Interactive Group Co., Ltd. (stock code: 08267), a company listed on the Hong Kong Stock Exchange, and a director of Shanghai Ganglian E-Commerce Holdings Co., Ltd.* (上海鋼聯電子商務股份有限公司) (stock code: 300226), a company listed on the Shenzhen Stock Exchange. Mr. Pan worked at Zhejiang Ningbo Tiandi Group Co., Ltd.* (浙江寧波天地(集團)股份有限公司, now known as Ningbo Tiandi (Group) Co., Ltd.* (寧波天地(集團)股份有限公司)). Mr. Pan obtained a bachelor degree in engineering from Shanghai Jiaotong University, and a master degree in business administration from the University of Southern California, the United States.

Ms. Li Ling (李玲), aged 60, was appointed as the Company's independent non-executive Director in June 2019. Ms. Li is currently an economics professor and a Ph.D. supervisor of National School of Development at Peking University, the director of Research Center of China Healthy Development at Peking University and concurrently serves as an independent non-executive Director of JD Health International Inc. (stock code: 06618), a company listed on the Hong Kong Stock Exchange. Ms. Li served as a lecturer at Wuhan University, an assistant to professor and an associate professor with tenure at the Department of Economics of Towson University, as well as a deputy director, an economics professor and a Ph.D. supervisor at China Center for Economic Research of Peking University. She concurrently served as an independent non-executive director of Sinopharm, a company listed on the Hong Kong Stock Exchange (stock code: 01099). Ms. Li is an expert in the medical and pharmaceutical industry. 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 59, was appointed as the Company's independent non-executive Director in June 2019. He is currently a professor at the Department of Economics of International Business School of University of International Business and Economics, and concurrently served as an independent director of Appotronics Corporation Limited* (深圳光峰科技股份有限公司) (stock code: 688007), a company listed on the STAR Market of the Shanghai Stock Exchange, and 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. Mr. Tang was an assistant lecturer, lecturer, associate professor and professor at the Accounting Department of Beijing Business School (currently Beijing Technology and Business University), the dean and professor at School of Accounting of Beijing Technology and Business University, and was the dean of International Business School of University of International Business and Economics. He concurrently served as an independent non-executive director of TCL Electronics Holdings Limited (stock code: 01070), a company listed on the Hong Kong Stock Exchange and an independent director of Changjiang Securities Co., Ltd. (Stock code: 000783), a company listed on the Shenzhen Stock Exchange. Mr. Tang is a non-practicing member of The Chinese Institute of Certified Public Accountants. Mr. Tang is an expert in financial accounting and risk control. Mr. Tang obtained his bachelor degree in accounting from Beijing Business School (currently Beijing Technology and Business University), his master's degree in accounting from Beijing Business School, and his doctoral degree in finance from Chinese Academy of Fiscal Sciences under the Ministry of Finance.

Mr. Wang Quandi (王全弟), aged 71, was appointed as the Company's independent non-executive Director in June 2021. 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 is a legal expert. Mr. Wang graduated from Jilin University with a bachelor degree in law.

Mr. Yu Tze Shan Hailson (余梓山), aged 65, was appointed as the Company's independent non-executive Director in June 2021. Mr. Yu is currently the deputy managing director of Versitech Limited and deputy director of Technology Transfer Office of the University of Hong Kong, and serving as the chief operating officer of HKU Innovation Holdings Limited since April 2020. Mr. Yu is currently an independent non-executive director of China Traditional Chinese Medicine Holdings Co., Ltd. (stock code: 00570) and an independent non-executive director of China NT Pharma Group Company Limited (stock code: 01011), both of which are listed on the Hong Kong Stock Exchange. Mr. Yu was an independent non-executive director of Sinopharm (stock code: 01099), a company listed on the Hong Kong Stock Exchange. Mr. Yu currently is a Charted 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. Mr. Yu is an expert in the authorization and transformation of scientific and technological achievements. Mr. Yu graduated from the University of Calgary with a bachelor's degree in Electrical Engineering, graduated from the University of Hong Kong with a master's degree in Engineering, and graduated from City University of Hong Kong with a master's degree in Arbitration and Dispute Resolution.

Mr. Gong Ping (龔平) served as the Company's non-executive Director from June 2020 to November 2021.

Mr. Zhang Houlin (張厚林) served as the Company's non-executive Director from October 2020 to November 2021.

Mr. Jiang Xian (江憲) served as the Company's independent non-executive Director from June 2015 to June 2021.

Dr. Wong Tin Yau Kelvin (黃天祐) served as the Company's independent non-executive Director from June 2015 to June 2021.

Biographical Details of
Directors, Supervisors and Senior Management

SUPERVISORS

Ms. Ren Qian (任倩), aged 52, has served as the chairman of the Supervisory Committee of the Company since January 2018. Ms. Ren joined the Group in May 2011 and has been serving as the deputy general manager and general manager of audit department of the Company from May 2011 to January 2018. Prior to joining the Group, Ms. Ren served as an auditor of the audit department of Shanghai No.1 Department Store Company Limited* (上海市第一百貨股份有限公司) (whereafter merged with Shanghai Bailian Group Company Limited* (上海百聯集團股份有限公司) (stock code: 600827), a company listed on the Shanghai Stock Exchange) and the manager of financial department of a subsidiary thereof, the chief officer of the second division of audit department of China Worldbest Group Company Limited* (中國華源集團有限公司), the assistant to director of Shanghai Zhongzhou Certified Public Accountants Company Limited* (上海中洲會計師事務所有限公司), and the deputy general manager of audit department of Shanghai China Fortune Company Limited* (上海華鑫股份有限公司) (stock code: 600621), a company listed on the Shanghai Stock Exchange. Ms. Ren graduated from Shanghai University of Finance and Economics (上海財經大學) with a bachelor degree in economics, and graduated from The Chinese University of Hong Kong with a master degree in accounting.

Mr. Cao Genxing (曹根興), aged 75, has served as the Company's Supervisor since 26 May 2008. Mr. Cao currently serves as the chairman's advisor of Shanghai Shenxing (Group) Company Limited (上海申新(集團)有限公司). Mr. Cao was the secretary to the board of Dahua Group Limited* (大華(集團)有限公司). Mr. Cao graduated from Central Agricultural Broadcasting and Television School* (中央農業廣播電視學校) and Shanghai Baoshan District Vocational University (上海寶山區業餘大學), with a diploma in agricultural science and a diploma in party and government management.

Mr. Guan Yimin (管一民), aged 71, 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 a independent director of Greenland Holdings Group Co., Ltd.* (綠地控股集團有限公司) (stock code: 600606), a company listed on the Shanghai Stock Exchange since February 2022. Mr. Guan had been the independent Director and independent non-executive Director of the Company from May 2007 to June 2013. Mr. Guan was the vice president and professor of Shanghai National Accounting Institute, an independent non-executive director of China Shipping Container Lines Company Limited (currently renamed as COSCO SHIPPING Development Co., Ltd.) (stock codes: 02866 and 601866), a company listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange, an independent director of Porton Pharma Solutions Ltd.* (重慶博騰製藥科技股份有限公司) (stock code: 300363), a company listed on the Shenzhen Stock Exchange, an independent non-executive director of Tianjin Capital Environmental Protection Group Company Limited (stock codes: 01065 and 600874), a company is listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange, an independent director of Shanghai International Port (Group) Co., Ltd.* (上海國際港務(集團)股份有限公司) (stock code: 600018), a company listed on the Shanghai Stock Exchange, an independent director of Bank of Shanghai Co., Ltd. (stock code: 601229), a company listed on the Shanghai Stock Exchange and an independent director of Bringspring Science and Technology Co., Ltd.* (榮科科技股份有限公司) (stock code: 300290), a company listed on the Shenzhen Stock Exchange from April 2019 to December 2021, and an independent director of Hefei Genius Advanced Material Co., Ltd.* (合肥傑事傑新材料股份有限公司) (stock code: 834166), a company listed on the NEEQ. Mr. Guan obtained a bachelor degree in accounting from Shanghai University of Finance and Economics (SUFE).

SENIOR MANAGEMENT

Mr. Wu Yifang (吳以芳), is the Company's executive Director, chairman and chief executive officer. His biographical details are set out on page 162 of this annual report.

Mr. Chen Yuqing (陳玉卿), aged 46, joined the Group in January 2010 and is currently the Company's co-president (appointed in October 2020). He was the Company's vice president, senior vice president and etc. from January 2010 to October 2020. Prior to joining the Group, he was a teacher at the School of Materials of Shanghai University, the human resources manager of each of Yanfeng Visteon Automotive Trim Systems Co., Ltd* (延鋒偉世通汽車飾件系統有限公司) (now renamed as Yanfeng Automotive Trim Systems Co., Ltd.* (延鋒汽車飾件系統有限公司)), Yanfeng Visteon (Beijing) Automotive Trim Systems Co., Ltd. * (延鋒偉世通(北京)汽車飾件系統有限公司) and Shanghai Yanfeng Johnson Controls Seating Co., Ltd.* (上海延鋒江森座椅有限公司), the development manager of the human resources department of Shanghai Alison (Group) Co., Ltd.* (上海埃力生(集團)有限公司), the Central China human resources manager of Schindler China Elevator Co. Ltd.* (迅達(中國)電梯有限公司), the senior human resources integration manager of Global Mart Limited* (購寶商業集團), and the chief human resources officer of Kubao Information Technology (Shanghai) Co., Ltd.* (酷寶信息技術(上海)有限公司). Mr. Chen obtained a bachelor degree in engineering from Shanghai University.

Mr. Wen Deyong (文德鏞), aged 50, joined the Group in May 2002 and is currently the Company's joint president (appointed in January 2022). He was a vice president of the Company from May 2002 to October 2020, and served as the senior vice president of the Company from October 2020 to January 2022. Mr. Wen is currently a non-executive director of Sinopharm (stock code: 01099), a company listed on the Hong Kong Stock Exchange, a director of CNCM (stock code: 600511), a company listed on the Shanghai Stock Exchange, and the chairman of the board of supervisor 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. Wen was a director of CQ Pharma Holdings (stock code: 000950), a company listed on the Shenzhen Stock Exchange. From July 2020 to August 2021, 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 V* (重慶製藥六廠), the precedent of Chongqing Yaoyou Pharmacy Co., Ltd.* (重慶藥友製藥有限責任公司). Mr. Wen graduated from West China University of Medical Sciences (華西醫科大學), which is now known as West China Medical Center of Sichuan University (四川大學華西醫學中心), and obtained a Master of Business Administration Degree from Donghua University (東華大學).

Mr. Aimin Hui, aged 59, joined the Group in November 2017 and is currently the Company's executive president (appointed in March 2021). He was the Company's senior vice president from November 2017 to March 2021. Mr. Aimin Hui is a non-executive director of Shanghai Henlius, a company listed on the Hong Kong Stock Exchange (stock code: 02696). Prior to joining the Group, Mr. Aimin Hui was a doctor at the Fourth Hospital of Hebei Medical University (河北醫科大學第四醫院), a trainee at National Cancer Center Hospital (國立癌中心醫院) in Japan, a PhD student at the School of Medicine of Shinshu University (信州大學醫學院) in Japan, a special researcher at National Cancer Center (國立癌中心) in Japan, an assistance professor and lecturer at the Faculty of Medicine of University of Tokyo (東京大學醫學院), a visiting scientist and researcher at National Cancer Institute in the U.S., a medical director of GE Healthcare Group, a medical director of Cephalon, Inc., a clinical oncology director and senior director of Takeda Pharmaceutical Company Limited, and a vice president of the global clinical research and development of Sanofi. Mr. Aimin Hui obtained a bachelor degree of medicine from Hebei Medical University (河北醫科大學) and a doctoral degree from the School of Medicine of Shinshu University (信州大學醫學院) in Japan.

Ms. Mei Jingping (梅璟萍), aged 51, joined the Group in January 2013 and is currently an executive president of the Company (appointed in January 2021). She was the vice president of the Company from January 2013 to June 2019 and senior vice president of the Company from June 2019 to January 2022. Prior to joining the Group, Ms. Mei was the senior marketing manager of the marketing department of Wyeth Pharmaceutical Co., Ltd. and the investment analyst, senior investment analyst and research director of pharmaceutical industry at CLSA Limited. Ms. Mei obtained a bachelor degree in science from China Pharmaceutical University and an EMBA degree from China Europe International Business School.

Mr. Li Shengli (李勝利), aged 48, joined the Group in April 2004 and is currently the Company's executive president (appointed in January 2022). He was the Company's vice president from April 2004 to March 2021, and served as the senior vice president of the Company from March 2021 to January 2022. Prior to joining the Group, Mr. Li served at Xuzhou Nhwa Pharmaceutical Group Co., Ltd.* (徐州恩華藥業集團有限責任公司). Mr. Li graduated from Anhui University of Chinese Medicine with a major in clinical medicine, and obtained a master's degree in business administration from Shanghai Jiao Tong University.

Mr. Wang Donghua (王冬華), aged 52, joined the Group in October 2015 and is currently a senior vice president of the Company (appointed in October 2020). He was a vice president of the Company from October 2015 to October 2020. Prior to joining the Group, Mr. Wang was the deputy manager and manager of the corporate culture department, deputy general manager of the investment development department, deputy general manager and spokesman of the brand development department, and deputy general manager, executive general manager and joint general manager of the public affairs department of Fosun High Tech. Mr. Wang obtained a bachelor degree in agriculture from Yangzhou University, and a master degree in business administration from Shanghai University of Finance and Economics.

Ms. Feng Rongli (馮蓉麗), aged 46, joined the Group in April 2020 and is currently the senior vice president of the Company (appointed in March 2021). She was a vice president of the Company from April 2020 to March 2021. Ms. Feng is currently the chairman of the board of supervisors of Shanghai Henlius (stock code: 02696), a non-executive director of Sinopharm (stock code: 01099), and a non-executive director of Sisram Medical (stock code: 01696), all of which are companies listed on the Hong Kong Stock Exchange. Prior to joining the Group, Ms. Feng served as a human resources supervisor of Sealed Air Packaging (Shanghai) Co., Ltd. (希悦爾包裝(上海)有限公司), a human resources manager of Grundfos Pumps (Shanghai) Co., Ltd. (格蘭富水泵(上海)有限公司), the Asia-Pacific human resources manager of Emerson Electric (China) Holdings Co., Ltd. (艾默生電氣(中國)投資有限公司), the China human resources planning manager of Dow Chemical (China) Co., Ltd. (陶氏化學(中國)有限公司), the director of human resources of Shanghai Roche Pharmaceutical Co., Ltd. (上海羅氏製藥有限公司), the senior director of human resources at F. Hoffmann-La Roche AG, the deputy chief human resources officer of Fosun High Tech and the managing director of the human resources of Shanghai Fosun Venture Capital Investment Management Co., Ltd. (上海復星創業投資管理有限公司). Ms. Feng graduated from Shanghai University with a major in computer application and obtained a master's degree in business administration from Columbia Southern University.

Mr. Li Dongjiu (李東久), aged 56, re-joined the Group in March 2021 and is currently the senior vice president of the Company (appointed in March 2021). He was the vice president and senior vice president of the Company from December 2009 to January 2018. Mr. Li is a non-executive director of Sinopharm, a company listed on the Hong Kong Stock Exchange (stock code: 01099). Prior to initially joining our Group, Mr. Li served as the deputy general manager and chief financial officer of North China Pharmaceutical Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600812). Mr. Li was a director of China National Pharmaceutical Group Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600511), the vice president and general counsel of Sinopharm, a company listed on the Stock Exchange (stock code: 01099), from January 2018 to March 2021, and a director of Sinopharm Group Accord Pharmaceutical Co., Ltd. (國藥集團一致藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000028), from April 2018 to March 2021. Mr. Li obtained a bachelor's degree in chemical engineering from Dalian Institute of Technology (now known as Dalian University of Technology), a master's degree in management science and engineering from Wuhan Jiaotong University of Science and Technology, a master's degree in international economic and trade relations from Flinders University, Australia, and a Ph.D. degree in transportation planning and management from Wuhan University of Technology, and an EMBA degree from China Europe International Business School.

Mr. Liu Yi (劉毅), aged 46, joined the Group in November 2015 and is currently a senior vice president of the Company (appointed in January 2022). He was the vice president of the Company from January 2017 to January 2022. Mr. Liu is currently the executive Director and chairman of the board of directors of Sisram Medical (stock code: 01696), a company listed on the Hong Kong Stock Exchange. Prior to joining the Group, Mr. Liu worked at the State Food and Drug Administration (now known as the National Medical Products Administration), and Beijing Medical Equipment Laboratory (北京市醫療器械檢驗所). Mr. Liu obtained a bachelor degree in engineering from Beijing Institute of Technology, a master degree in management from Peking University, and a doctorate degree in biomedical engineering from Beihang University.

Mr. Bao Qingui (包勤貴), aged 37, joined the Group in July 2010 and is currently the Company's senior vice president (appointed in January 2022). He was the assistant to the president, vice president and executive president of Fosun Health, a subsidiary, from July 2010 to January 2020, and vice president of the Company from January 2020 to January 2022. Mr. Bao received a bachelor's degree in engineering from Hefei University of Technology and a Master of Science degree from Fudan University.

Mr. Hu Hang (胡航), aged 38, joined the Group in September 2010 and is currently the Company's senior vice president (appointed in January 2022). He was the president assistant and vice president of Fosun Health (a subsidiary of the Company) from September 2010 to January 2020, and vice president of the Company from January 2020 to January 2022. Prior to joining the Group, Mr. Hu served as an auditor at PricewaterhouseCoopers Zhong Tian LLP, a senior auditor at Ernst & Young Hua Ming LLP, and a senior adviser on risk control at PricewaterhouseCoopers Management Consulting (Shanghai) Limited. Mr. Hu obtained a bachelor's degree in economics from Fudan University, and a master's degree in business administration from Shanghai Jiao Tong University.

Ms. Dong Xiaoxian (董曉嫻), aged 40, joined the Group in July 2003, and is currently a vice president (appointed in June 2016), the secretary to the Board and a joint company secretary of the Company. Ms. Dong worked as several positions including the securities affairs representative and deputy director of the Board Secretary Office of the Company from July 2003 to June 2016. Ms. Dong graduated from Shanghai University (上海大學) with a Bachelor of Laws, and graduated with a Master of Business Administration Degree from Fudan University (復旦大學).

Mr. Zhang Yuejian (張躍建), aged 52, re-joined the Group in February 2005 and is currently the Company's vice president (appointed in June 2019). Mr. Zhang was the president assistant of the Company from February 2005 to June 2019. Prior to joining the Group for the first time, Mr. Zhang was a lecturer at Shanghai Medical University (上海醫科大學) and had a postdoctoral research at Boston University. Mr. Zhang obtained a bachelor's degree in medicine from Shanghai Medical University, a master's degree in medicine from Shanghai Medical University, and a doctorate in medicine from Shanghai Medical University.

Ms. Wu Xiaolei (吳曉蕾), aged 42, re-joined the Group in June 2021 and is currently the Company's vice president and chief financial officer (both appointed in January 2022). Ms. Wu served as the deputy general manager of the Finance Department and the director of financial analysis of the Company from October 2017 to July 2020, and she was the deputy chief financial officer of the Company from June 2021 to January 2022. Ms. Wu is currently a director of Nature's Sunshine Products, Inc. (stock code: NATR), a company listed on the NASDQ. Prior to initially joining our Group, Ms. Wu served as an auditor and senior auditor of Deloitte Touche Tohmatsu CPA and an assistant to the audit manager, audit manager, senior audit manager and audit partner of KPMG Huazhen. Ms. Wu served as the joint general manager and general manager of the financial management department of Fosun High Tech from August 2020 to May 2021, Ms. Wu obtained a bachelor's degree in economics from the Shanghai University of Finance and Economics. Ms. Wu is qualified as a Chinese Certified Public Accountant (CPA) and CPA in Australia.

Mr. Yuan Ning (袁寧), aged 44, joined the Group in September 2007 and is currently the Company's vice president (appointed in January 2022). He worked several positions including the president assistant of the Company from September 2007 to January 2022. Prior to joining the Group, Mr. Yuan served in the research department and the marketing department for Nanjing Meridian Pharmaceuticals Limited. Mr. Yuan obtained a bachelor's degree in science in biological engineering and pharmacy co-organised by Nanjing University and China Pharmaceutical University and a doctorate in medicine from Shanghai Pharmaceutical Industry Research Institute (now known as China National Pharmaceutical Industry Research Institute).

Ms. Su Li (蘇莉), aged 50, joined the Group in June 2006 and is currently the Company's vice president (appointed in January 2022). She worked several positions including the president assistant of the Company from June 2016 to January 2022. Prior to joining the Group, Ms. Su served as a clerk in the office of the president of Kunming Pharmaceutical Limited* (昆明製藥股份有限公司) and the deputy manager and manager of imports and exports department and manager of international trade department of Kunyao Group Co., Ltd. Ms. Su obtained a Bachelor of Arts degree in English Language and Literature from Yunnan University.

Mr. Ji Hao (紀皓), aged 47, joined the Group in June 2016 and is currently the Company's vice president (appointed in January 2022). He worked several positions including the president assistant of the Company from June 2016 to January 2022.Prior to joining the Group, Mr. Ji served as an assistant researcher at the Chinese People's Liberation Army Academy of Military Sciences and served in the First Branch of the Shanghai People's Procuratorate. Mr. Ji obtained a bachelor's degree of laws from the People's Liberation Army Nanjing University of International Relations (now known as National University of Defense Technology University of International Relations), a master's degree of law from the East China University of Political Science and Law and a master's degree of law from The Chinese University of Hong Kong.

Ms. Zhu Yue (朱悦), aged 44, joined the Group in October 2020 and is currently the Company's vice president (appointed in January 2022). She worked several positions including the president assistant of the Company from October 2020 to January 2022. Prior to joining the Group, Ms. Zhu served as an attorney and senior attorney at Morgan, Lewis & Bockius LLP in the United States, senior attorney of Milbank LLP in the United States, senior attorney and consultant lawyer of Clifford Chance LLP in the United Kingdom and the managing director of the Legal Department of Fosun International (a company listed on the Hong Kong Stock Exchange, stock code: 00656). Ms. Zhu obtained a bachelor's degree in science in biological science from University of Science and Technology of China, a master's degree in Biology from the University of Iowa in the United States and a doctorate in law from the University of Maryland in the United States. She was also admitted as an attorney of the State of California in the United States.

Mr. Li Dongming (李東明) joined the Group in April 2017 and was the Company's vice president and senior vice president. He was the Company's co-president from October 2020 to January 2022.

Mr. Wang Yao (汪曜) joined the Group in September 2014 and was the Company's vice president from September 2014 to January 2022.

Ms. Lihui Zou joined the Group in February 2017 and was the Company's vice president from March 2021 to September 2021.

Mr. Chen Zhanyu (陳戰宇) joined the Group in June 2011 and was the Company's vice president from January 2020 to February 2021.

JOINT COMPANY SECRETARIES

Ms. Dong Xiaoxian (董曉嫻), aged 40, a joint company secretary, is also a senior vice president of the Company and secretary to the Board. Please refer to page 169 of this annual report for her biography.

Ms. Kam Mei Ha, Wendy (甘美霞), aged 54, a joint company secretary, is also an executive director of corporate services at Tricor Services Limited. Prior to joining Tricor Services Limited, Ms. Kam served as manager of the company secretarial department of Ernst & Young, Hong Kong and Tricor Tengis Limited. Ms. Kam is named company secretary of five listed companies on the Hong Kong Stock Exchange (including the Company) as at the end of the Reporting Period. Ms. Kam is a Chartered Secretary, a Chartered Governance Professional and a fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. She graduated from City Polytechnic of Hong Kong (now known as City University of Hong Kong) with a professional diploma in company secretaryship and administration in November 1990.

Independent Auditor's Report

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To the shareholders of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 179 to 315, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, 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

Acquisitions of Chengdu Antejin Biotechnology Co., Ltd. and Suzhou Baidao Medical Technology Co., Ltd.

On 28 October 2021, Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd., a subsidiary of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. acquired a 13.01% equity interests in Chengdu Antejin Biotechnology Co., Ltd. (hereinafter referred to as "Antejin") from independent third parties at a cash consideration of RMB1,108,034,000. At the same day, Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. subscribed for 60% equity interest in Antejin at a consideration of 100% equity interests in its subsidiary Dalian Aleph Bio-Pharmaceutical Co., Ltd. After the acquisition, the Group holds 73.01% equity interests in Antejin.

On 10 November 2021, Fosun Diagnostics Technology (Shanghai) Co., Ltd., a subsidiary of the Company, acquired 44.2944% equity interests in Suzhou Baidao Medical Technology Co., Ltd. (hereinafter referred to as "Suzhou Baidao") from independent third parties at a cash consideration of RMB101,881,000. At the same day, Fosun Diagnostic Technology (Shanghai) Co., Ltd contributed RMB80,000,000 in cash to subscribe for the newly increased registered capital of Suzhou Baidao of the par value amounting to RMB3,304,273. After the acquisition, the Group holds 58.6702% equity interests in Suzhou Baidao.

Management engaged external appraisers to evaluate the fair value of the identifiable assets and liabilities of Antejin and Suzhou Baidao. This matter was material to our audit as the fair value assessment involves significant accounting estimates. The disclosures about business combinations are included in note 2.4 "Summary of Significant Accounting Policies", note 3. "Significant Accounting Judgements and Estimates" and note 40 "Business Combinations".

Our audit procedures included, among others, obtaining and reviewing the share purchase agreements and examining the payments of considerations. We assessed the objectivity, independence and professional competence of the external appraisers engaged by the Group to perform the valuation. We also involved our internal valuation specialists to assist us in evaluating the valuation methodologies adopted and the assumptions used in the valuation of the identifiable assets and liabilities of Antejin and Suzhou Baidao, ie, patents and technical know-how, in particular, the discount rate. We also focused on the forecasts regarding to future revenues and operating results by comparing the forecasts with business development plans and market data of similar products commercialized in the market.

We also focused on the adequacy of the disclosures in the consolidated financial statements.

To the shareholders of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.
(Established in the People's Republic of China with limited liability)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill The carrying value of goodwill in the consolidated financial statements amounted to RMB9,399,987,000 as at 31 December 2021. In accordance with HKFRSs, the Group is required to perform impairment test for goodwill at least on an annual basis. The impairment test is based on the recoverable amount of each cash-generating unit to which the goodwill is allocated. The recoverable amount of each cash-generating unit is its value in use using cash flow projection based on a financial budget or a forecast. This matter was significant to our audit because the impairment test process was complex and involved significant judgements and estimates. The disclosures about impairment of goodwill are included in note 2.4 "Summary of Significant Accounting Policies", note 3. "Significant Accounting Judgements and Estimates" and note 17 "Goodwill", which specifically explains the key assumptions management used for the calculation of the recoverable amounts.	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 licences, trademarks, patents and technical know-how and operating concession rights) in the consolidated financial statements amounted to RMB1,203,209,000 as at 31 December 2021. In accordance with HKFRSs, the Group is required to perform impairment test for indefinite-life intangible assets at least on an annual basis. The impairment test is based on the recoverable amount of each individual asset or the corresponding cash-generating unit, which is its value in use using cash flow projections based on a financial budget or a forecast. This matter was significant to our audit because the impairment test process was complex and involved significant judgements and estimates. The disclosures about impairment of indefinite-life intangible assets are included in note 2.4 "Summary of Significant Accounting Policies", note 3. "Significant Accounting Judgements and Estimates" and note 18 "Other Intangible Assets", which specifically explains the key assumptions management used for the calculation of the recoverable amounts.	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 2021, expenditure incurred on projects to develop new pharmaceutical products of RMB1,310,579,000 was capitalised in "other intangible assets — deferred development costs" in the consolidated financial statements. The expenditure on development activities was capitalised and deferred when all criteria mentioned in note 2.4 "Summary of Significant Accounting Policies" were satisfied. This matter was significant to our audit because significant management's estimation and judgement were required in determining whether development expenditure met the capitalisation criteria. The disclosures about capitalisation of development expenditure are included in note 2.4 "Summary of Significant Accounting Policies", note 3. "Significant Accounting Judgements and Estimates" and note 18 "Other Intangible Assets".	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
22 March 2022

Consolidated
Statement of Profit or Loss

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000 (Restated)
REVENUE	5	**38,858,085**	30,163,260
Cost of sales		**(20,228,269)**	(13,733,529)
Gross profit		**18,629,816**	16,429,731
Other income	6	**375,734**	420,764
Selling and distribution expenses		**(9,098,892)**	(8,161,592)
Administrative expenses		**(3,303,290)**	(3,036,109)
Impairment losses on financial assets		**(74,016)**	(104,836)
Research and development expenses		**(3,834,483)**	(2,795,494)
Other gains	8	**3,322,373**	1,278,251
Other expenses		**(1,163,734)**	(251,861)
Interest income		**233,727**	199,609
Finance costs	9	**(822,534)**	(880,952)
Share of profits and losses of:			
Joint ventures		**(247,388)**	(133,257)
Associates		**2,036,525**	1,713,592
PROFIT BEFORE TAX	7	**6,053,838**	4,677,846
Income tax expense	12	**(1,066,400)**	(737,865)
PROFIT FOR THE YEAR		**4,987,438**	3,939,981
Attributable to:			
Owners of the parent		**4,735,270**	3,662,813
Non-controlling interests		**252,168**	277,168
		4,987,438	3,939,981
Earnings per share attributable to ordinary equity holders of the parent:	14		
Basic		**RMB1.85**	RMB1.43
Diluted		**RMB1.85**	RMB1.43

Consolidated
Statement of Comprehensive Income

Year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
PROFIT FOR THE YEAR	**4,987,438**	3,939,981
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(409,611)**	(686,858)
Share of other comprehensive (loss)/income of joint ventures	**(531)**	585
Share of other comprehensive income of associates	**56,014**	21,227
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(354,128)**	(665,046)
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:		
Changes in fair value	**(978)**	(13,466)
Income tax effect	**147**	18
Share of other comprehensive income of associates	**10,778**	88,649
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**9,947**	75,201
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(344,181)**	(589,845)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**4,643,257**	3,350,136
Attributable to:		
Owners of the parent	**4,403,017**	3,119,000
Non-controlling interests	**240,240**	231,136
	4,643,257	3,350,136

Consolidated
Statement of Financial Position

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**13,011,818**	12,579,873
Right-of-use assets	16	**2,569,796**	2,666,402
Goodwill	17	**9,399,987**	8,677,249
Other intangible assets	18	**11,610,712**	9,577,741
Investments in joint ventures	19	**282,837**	381,616
Investments in associates	20	**22,343,990**	21,870,966
Equity investments designated at fair value through other comprehensive income	21	**29,916**	1,043
Financial assets at fair value through profit or loss	28	**1,206,489**	1,460,769
Deferred tax assets	22	**265,589**	244,937
Trade receivables — non-current	23	**77,395**	—
Other non-current assets	24	**2,013,740**	1,083,724
Total non-current assets		**62,812,269**	58,544,320
CURRENT ASSETS			
Inventories	25	**5,472,315**	5,162,800
Trade and bills receivables	26	**6,045,460**	4,807,059
Prepayments, other receivables and other assets	27	**3,466,043**	2,554,165
Financial assets at fair value through profit or loss	28	**4,241,069**	1,970,096
Debt investments at fair value through other comprehensive income	26	**427,884**	628,881
Cash and bank balances	29	**10,308,157**	9,961,802
		29,960,928	25,084,803
Assets of a disposal group classified as held for sale	30	**463,705**	—
Total current assets		**30,424,633**	25,084,803
CURRENT LIABILITIES			
Trade and bills payables	31	**5,063,661**	3,289,021
Other payables and accruals	32	**7,020,048**	5,597,564
Interest-bearing bank and other borrowings	33	**15,460,243**	14,488,946
Lease liabilities	34	**141,496**	151,084
Contract liabilities	35	**1,150,274**	1,020,309
Tax payable		**474,223**	325,429
Total current liabilities		**29,309,945**	24,872,353
NET CURRENT ASSETS		**1,114,688**	212,450
TOTAL ASSETS LESS CURRENT LIABILITIES		**63,926,957**	58,756,770

Consolidated
Statement of Financial Position

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**63,926,957**	58,756,770
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	33	**9,049,069**	8,475,685
Lease liabilities	34	**648,360**	627,291
Deferred tax liabilities	22	**3,129,746**	2,852,997
Contract liabilities	35	**239,011**	121,712
Deferred income	36	**512,806**	482,201
Other long-term liabilities	37	**2,029,287**	269,488
Total non-current liabilities		**15,608,279**	12,829,374
Net assets		**48,318,678**	45,927,396
EQUITY			
Equity attributable to owners of the parent			
Share capital	38	**2,562,899**	2,562,899
Reserves	39	**36,572,163**	34,375,748
		39,135,062	36,938,647
Non-controlling interests		**9,183,616**	8,988,749
Total equity		**48,318,678**	45,927,396

Wu Yifang
Director

Guan Xiaohui
Director

Consolidated
Statement of Changes in Equity

Year ended 31 December 2021

	Attributable to owners of the parent									
	Issued share capital RMB'000 (note 38)	Share premium RMB'000	Fair value reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	2,562,899	11,385,162	(35,546)	2,523,799	899,356	(420,878)	14,916,387	31,831,179	7,316,147	39,147,326
Profit for the year	—	—	—	—	—	—	3,662,813	3,662,813	277,168	3,939,981
Other comprehensive loss for the year:										
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	(13,458)	—	—	—	—	(13,458)	10	(13,448)
Share of other comprehensive income/(loss) of associates	—	—	109,901	—	—	—	—	109,901	(25)	109,876
Share of other comprehensive income of joint ventures	—	—	585	—	—	—	—	585	—	585
Exchange differences on translation of foreign operations	—	—	—	—	—	(640,841)	—	(640,841)	(46,017)	(686,858)
Total comprehensive income for the year	—	—	97,028	—	—	(640,841)	3,662,813	3,119,000	231,136	3,350,136
Profit appropriation to reserves	—	—	—	204,805	—	—	(204,805)	—	—	—
Establishment of new subsidiaries	—	—	—	—	—	—	—	—	19,220	19,220
Disposal of partial interests in subsidiaries without losing control	—	—	—	—	1,635,889	—	—	1,635,889	795,007	2,430,896
Deemed disposal of partial interests in subsidiaries without losing control	—	—	—	—	558,102	—	—	558,102	538,298	1,096,400
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	(289,600)	(289,600)
Capital injections from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	86,300	86,300
Acquisitions of subsidiaries	—	—	—	—	—	—	—	—	(7,860)	(7,860)
Disposal of associates	—	—	—	—	(18,505)	—	—	(18,505)	(5,656)	(24,161)
Disposal of subsidiaries	—	—	—	—	—	—	—	—	(109,771)	(109,771)
Deemed acquisition of non-controlling interests	—	—	—	—	16,161	—	—	16,161	(16,161)	—
Acquisition of non-controlling interests	—	—	—	—	(996,266)	—	—	(996,266)	(1,013,373)	(2,009,639)
Subsidiaries' equity-settled share-based payment	—	—	—	—	—	—	—	—	213,156	213,156
Adjustment on the share redemption options granted to non-controlling shareholders of subsidiaries	—	—	—	—	1,194,072	—	—	1,194,072	1,226,424	2,420,496
Share of changes in equity other than comprehensive income and distributions received of associates	—	—	—	—	599,520	—	—	599,520	5,482	605,002
Final 2019 dividend declared and paid	—	—	—	—	—	—	(1,000,505)	(1,000,505)	—	(1,000,505)
Transfer other comprehensive income to retained profits	—	—	78,228	—	—	—	(78,228)	—	—	—
At 31 December 2020	2,562,899	11,385,162	139,710	2,728,604	3,888,329	(1,061,719)	17,295,662	36,938,647	8,988,749	45,927,396

Consolidated
Statement of Changes in Equity

Year ended 31 December 2021

	Attributable to owners of the parent									
	Issued share capital RMB'000 (note 38)	Share premium RMB'000	Fair value reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	2,562,899	11,385,162*	139,710*	2,728,604*	3,888,329*	(1,061,719)*	17,295,662*	36,938,647	8,988,749	45,927,396
Profit for the year	—	—	—	—	—	—	4,735,270	4,735,270	252,168	4,987,438
Other comprehensive loss for the year:										
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	(2,268)	—	—	—	—	(2,268)	1,437	(831)
Share of other comprehensive income of associates	—	—	66,792	—	—	—	—	66,792	—	66,792
Share of other comprehensive loss of joint ventures	—	—	(531)	—	—	—	—	(531)	—	(531)
Exchange differences on translation of foreign operations	—	—	—	—	—	(396,246)	—	(396,246)	(13,365)	(409,611)
Total comprehensive income for the year	—	—	63,993	—	—	(396,246)	4,735,270	4,403,017	240,240	4,643,257
Profit appropriation to reserves	—	—	—	103,577	—	—	(103,577)	—	—	—
Establishment of new subsidiaries	—	—	—	—	—	—	—	—	49,666	49,666
Deemed disposal of partial interests in subsidiaries without losing control	—	—	—	—	816,749	—	—	816,749	527,924	1,344,673
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	(259,643)	(259,643)
Capital injections from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	87,676	87,676
Acquisitions of subsidiaries	—	—	—	—	—	—	—	—	444,731	444,731
Disposal of associates	—	—	—	—	(20,015)	—	—	(20,015)	—	(20,015)
Disposal of subsidiaries	—	—	—	(5,875)	—	—	5,875	—	(409,304)	(409,304)
Deemed acquisition of non-controlling interests	—	—	—	—	3,488	—	—	3,488	5,254	8,742
Acquisition of non-controlling interests	—	—	—	—	(990,315)	—	—	(990,315)	(166,955)	(1,157,270)
Subsidiaries' equity-settled share-based payment	—	—	—	—	—	—	—	—	93,259	93,259
Adjustment on the share redemption options granted to non-controlling shareholders of subsidiaries	—	—	—	—	(1,047,473)	—	—	(1,047,473)	(451,484)	(1,498,957)
Share of changes in equity other than comprehensive income and distributions received of associates	—	—	—	—	133,961	—	—	133,961	33,503	167,464
Final 2020 dividend declared and paid	—	—	—	—	—	—	(1,102,997)	(1,102,997)	—	(1,102,997)
At 31 December 2021	2,562,899	11,385,162*	203,703*	2,826,306*	2,784,724*	(1,457,965)*	20,830,233*	39,135,062	9,183,616	48,318,678

* The reserve accounts comprise the consolidated reserves of RMB36,572,163,000 (2020: RMB34,375,748,000) in the consolidated statement of financial position.

Consolidated
Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**6,053,838**	4,677,846
Adjustments for:			
Finance costs	9	**822,534**	880,952
Share of profits and losses of joint ventures		**247,388**	133,257
Share of profits and losses of associates		**(2,036,525)**	(1,713,592)
Depreciation of items of property, plant and equipment	7	**1,183,576**	1,006,023
Depreciation of right-of-use assets	7	**197,154**	207,218
Amortisation of other intangible assets	7	**567,710**	514,896
Loss on disposal of items of property, plant and equipment and other tangible assets	7	**33,656**	4,399
Gain on disposal of interests in associates and joint ventures	8	**(687,245)**	(220,275)
Gain on disposal of subsidiaries	7	**(2,013,109)**	(8,146)
Dividend income from financial assets at fair value through profit or loss	6	**(47,894)**	(25,583)
Dividend income from equity investments at fair value through other comprehensive income	6	**(8)**	(1,554)
Impairment of inventories	7	**64,611**	64,399
Impairment of other intangible assets	7	**152,775**	—
Impairment losses on financial assets	7	**74,016**	104,836
Impairment of goodwill	7	**150,000**	—
Impairment of investments in associates	7	**462,488**	83,855
Gain on disposal of financial assets at fair value through profit or loss	7	**(86,432)**	(448,088)
Gain on fair value change of financial assets at fair value through profit or loss, net		**(352,299)**	(578,657)
Covid-19-related rent concessions from lessors	16	**(60)**	(6,548)
Equity settled share-based payment		**64,286**	55,220
		4,850,460	4,730,458
Increase in inventories		**(464,747)**	(1,253,381)
Increase in trade and bills receivables		**(1,559,614)**	(238,527)
Decrease/(increase) in debt investments at fair value through other comprehensive income		**200,997**	(183,778)
Increase in prepayments, other receivables and other assets		**(436,407)**	(1,137,611)
Increase in trade and bills payables		**1,774,559**	879,574
Increase in contract liabilities		**392,334**	414,970
Increase in other payables and accruals		**995,491**	637,310
Increase in pledged bank balances and deposits		**(951,335)**	(287,603)
Cash generated from operations		**4,801,738**	3,561,412
Income tax paid		**(852,991)**	(981,638)
Net cash flows from operating activities		**3,948,747**	2,579,774

Consolidated
Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Net cash flows from operating activities		**3,948,747**	2,579,774
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		**(4,972,587)**	(4,437,119)
Acquisitions of subsidiaries, net of cash acquired	40	**(1,306,799)**	(153,938)
Acquisitions of interests in associates and joint ventures		**(357,850)**	(429,888)
Purchases of financial assets at fair value through profit or loss		**(1,036,784)**	(640,214)
Purchases of equity investments designated at fair value through other comprehensive income		**(30,000)**	—
Disposal and partial disposal of associates and joint ventures		**1,269,349**	840,642
Disposal of financial assets at fair value through profit or loss		**236,654**	528,889
Disposal of equity instruments at fair value through other comprehensive income		**—**	94,737
Disposal of subsidiaries	41	**1,688,233**	13,603
Dividends from associates		**615,665**	544,217
Dividends received from financial assets at fair value through profit or loss		**46,578**	26,977
Dividends received from equity investments designated at fair value through other comprehensive income		**8**	1,708
Proceeds from disposal of items of property, plant and equipment, prepaid land lease payments, other intangible assets and other non-current assets		**97,098**	8,881
Deposit for construction projects		**(20,071)**	35,244
Decrease/(increase) in non-pledged time deposits with original maturity of three months or more when acquired and deposits for other acquisitions		**133,048**	(1,100,421)
Decrease in prepayments, other receivables and other assets due from a subsidiary being disposed of	41	**373,887**	—
Increase in restricted cash		**(550,610)**	—
Other payments relating to investing activities		**(42,806)**	(39,547)
Net cash flows used in investing activities		**(3,856,987)**	(4,706,229)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings	42	**29,201,260**	17,972,653
Repayment of bank and other borrowings	42	**(27,391,948)**	(15,535,227)
Principal portion of lease payments	42	**(166,879)**	(194,632)
Interest paid		**(810,802)**	(810,164)
Capital injections from non-controlling shareholders of subsidiaries		**952,307**	1,247,962
Payments of listing expenses of subsidiaries		**—**	(49,183)
Dividends paid to owners of the parent		**(1,103,158)**	(1,002,377)
Dividends paid to non-controlling shareholders of subsidiaries		**(291,933)**	(357,885)
Acquisitions of non-controlling interests		**(1,214,240)**	(2,166,429)
Proceeds received from the disposal of partial interests in subsidiaries without losing control		**—**	2,430,896
Other payments relating to financing activities		**(5,886)**	(68,485)
Net cash flows (used in)/from financing activities		**(831,279)**	1,467,129
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(739,519)**	(659,326)
Cash and cash equivalents at beginning of year		**7,324,881**	8,284,371
Effect of foreign exchange rate changes, net		**(134,712)**	(300,164)
CASH AND CASH EQUIVALENTS AT END OF YEAR	29	**6,450,650**	7,324,881

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 %	
Shanghai Henlius Biotech Co., Ltd. ("Henlius") (上海復宏漢霖生物技術股份有限公司)***	PRC/ Chinese Mainland	RMB543,495	—	57.48	Research and development, manufacture and trading of medicine
Fosun Industrial Co., Ltd. ("Fosun Industrial") (復星實業(香港)有限公司)	PRC/ Hong Kong	Not applicable	100	—	Investment management
Shanghai Fosun Health Technology (Group) Co., Ltd. ("Fosun Health Group") (上海復星健康科技(集團)有限公司)***	PRC/ Chinese Mainland	RMB3,804,350	91.99	7.99	Investment management
Chongqing Yao Pharmaceutical Co., Ltd. ("Yao Pharmaceutical") (重慶藥友製藥有限責任公司)***	PRC/ Chinese Mainland	RMB196,540	—	61.04	Manufacture and trading of medicine
Jiangsu Wanbang Biopharmaceutical (Group) Co., Ltd. ("Jiangsu Wanbang") (江蘇萬邦生化醫藥集團有限責任公司)**	PRC/ Chinese Mainland	RMB440,455	—	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	—	96.44	Manufacture and trading of medicine

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Company name*	Place of incorporation/ registration and business	Issued ordinary /registered share capital ('000)	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
Jiangsu Wanbang Pharmaceutical Marketing & Distribution Company ("Wanbang Marketing & Distribution") (江蘇萬邦醫藥營銷有限公司) **	PRC/ Chinese Mainland	RMB274,000	—	100	Trading of medicine
Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. ("Industrial Development") (上海復星醫藥產業發展有限公司)**	PRC/ Chinese Mainland	RMB2,253,308	100	—	Investment management
Jinzhou Avanc Pharmaceutical Co., Ltd. ("Avanc Pharma") (錦州奧鴻藥業有限責任公司)**	PRC/ Chinese Mainland	RMB510,000	—	100	Manufacture and trading of medicine
Shine Star (Hubei) Biological Engineering Co., Ltd. (湖北新生源生物工程有限公司)***	PRC/ Chinese Mainland	RMB51,120	—	51	Manufacture and trading of medicine
Chindex Medical Limited (美中互利醫療有限公司)	PRC/ Hong Kong	Not applicable	—	100	Investment management
Foshan Fosun Chancheng Hospital Company Limited ("Chancheng Hospital") (佛山復星禪誠醫院有限公司)***	PRC/ Chinese Mainland	RMB50,000	—	87.41	Healthcare services
Suzhou Erye Pharmaceutical Co., Ltd. ("Erye Pharma") (蘇州二葉製藥有限公司)***	PRC/ Chinese Mainland	RMB238,420	—	90	Manufacture and trading of medicine
Gland Pharma Limited ("Gland Pharma")	India	Not applicable	—	57.9993	Manufacture and trading of medicine
Tridem Pharma S.A.S ("Tridem Pharma")	France	Not applicable	—	100	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.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements 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 2021. 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).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group historically recorded the transportation cost incurred for the purpose of the fulfillment of the contracts with customers in the "selling and distribution expenses" included in the consolidated statement of profit or loss of the Group. There is no difference on the accounting policy adopted on such transactions between the financial statements prepared under generally accepted accounting principles in the PRC ("PRC GAAP") and HKFRSs before 31 December 2020. However, on 2 November 2021, the Ministry of Finance of the PRC (the "MOF") released the publication of Q&A regarding the Accounting Standard for Business Enterprises, among which, it clearly indicated that under normal circumstances, before the control of the goods or services is transferred to the customer, the transportation activities incurred for the purpose of the fulfillment of the contracts with customers are not identified as the individual performance obligation and accordingly the relevant transportation expenses shall be treated as the contract costs which are capitalized as an asset and 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. So the amortization of the capitalized transportation cost shall be recorded as "cost of sales" rather than "selling and distribution expenses" included in the consolidated statement of profit or loss of the Group. The Group has adopted the changes in accounting policy and made retrospective reclassification adjustments in the consolidated financial statements of the Group prepared under PRC GAAP for the year ended 31 December 2021. According to the Interpretation No.2 to Accounting Standard for Business Enterprises issued by the MOF, A+H share listed companies shall adopt consistent accounting policies of the same transactions in the financial statements prepared under PRC GAAP and HKFRSs. Accordingly, the Group changes its accounting policy during the year regarding the presentation of the transportation cost in the consolidated financial statements of the Group prepared under HKFRSs with retrospective adjustments made to keep consistent with that prepared under PRC GAAP.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The quantitative impact regarding the change of above accounting policy on the consolidated financial statements for the year ended 31 December 2021 and comparative information for the year ended 31 December 2020 is summarised below:

	Year ended 31 December 2021 RMB'000	Change in accounting policy RMB'000	Year ended 31 December 2021 RMB'000
	Before change		**After change**
Cost of sales	**19,912,137**	**316,132**	**20,228,269**
Selling and distribution costs	**9,415,024**	**(316,132)**	**9,098,892**
Total	**29,327,161**	**—**	**29,327,161**

	Year ended 31 December 2020 RMB'000	Change in accounting policy RMB'000	Year ended 31 December 2020 RMB'000
	Before change		After change
Cost of sales	13,431,178	302,351	13,733,529
Selling and distribution costs	8,463,943	(302,351)	8,161,592
Total	21,895,121	—	21,895,121

The change in accounting policy had no impact neither on the consolidated statements of financial position as at 31 December 2021 or 31 December 2020, nor on the consolidated statement of cash flows for the year ended 31 December 2021 or 31 December 2020.

In addition, the Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, and HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in Renminbi based on the Loan Prime Rate ("LPR"), and United States dollars based on the London Interbank Offered rate ("LIBOR") or various Interbank Offered Rates as at 31 December 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

(b) Amendments to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of RMB60,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 31 December 2021.There was no impact on the opening balance of equity as at 1 January 2021.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2,5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2,4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to HKAS 1, 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 in October 2020 to align the corresponding wording with no change in conclusion
5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognized in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception 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 and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognized as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to *HKFRS 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- *HKFRS 9 Financial Instruments:* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- *HKFRS 16 Leases:* removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

The Group measures its certain equity investments, debt investments, certain financial assets and financial liabilities designated upon initial recognition as at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(b) (Continued)

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Land	Not depreciated
Buildings	10 to 45 years
Plant and machinery	2 to 16 years
Medical devices	5 to 10 years
Office equipment	3 to 15 years
Motor vehicles	3 to 10 years
Leasehold improvements	5 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Construction in progress represents buildings, plant and machinery under construction or installation and testing which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction or installation and testing and capitalised borrowing costs on related borrowed funds during the period of construction or installation and testing. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case,the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Trademarks

Trademarks with finite useful lives are measured initially at cost and are amortised on the straight-line basis over the respective estimated useful lives. Trademarks with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful lives of trademarks are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Medicine licences, technical know-how and operating concession rights

Medicine licences and technical know-how with finite useful lives are measured initially at cost and are amortised on the straight-line basis over the respective estimated useful lives. Medicine licences, technical know-how and operating concession rights with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful lives of medicine licences, technical know-how and operating concession rights are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Patents

Patents with finite useful lives are measured initially at cost and are amortised on the straight-line basis over the respective estimated useful lives. Patents with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful lives of patents are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Office software

Purchased office software is stated at cost less any impairment losses and is amortised on the straight-line basis over the estimated useful life of 2 to 10 years.

Business networks

Business networks are stated at cost less any impairment losses and are amortised on the straight-line basis over the respective estimated useful lives.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease components, the Group separates lease component and the associated non-lease components (e.g., property management services for leases of properties) and accounts for the lease component.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 to 20 years
Plant and machinery	5 to 10 years
Motor vehicles	3 years
Prepaid land lease payments	20 to 50 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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

Investments and other financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

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

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

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

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

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

Financial assets at fair value through profit or loss (Continued)

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

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. In addition, 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 180 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. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade and bills receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade and bills receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward carrying contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain medical devices and the provision of services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries or areas in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sale of industrial products

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

(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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is made received or the a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

The Company operates a share incentive scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the operations of the Group. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees and non-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 the Black-Scholes option pricing model.

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.

2.4 SUMMARY OF SIGNIFICANT 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

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.

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. Further details are given in note 17 to the financial statements.

Provision for expected credit losses on trade and bills receivables

The Group uses a provision matrix to calculate ECLs for trade and bills receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Provision for expected credit losses on trade and bills receivables (Continued)

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade and bill receivables cost is disclosed in note 26 to the financial statements, respectively.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite-life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and sale. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customers' needs and prices change when the products' expiration date is approaching. Management reassesses these estimates at the end of the reporting period.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 50 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2021 was RMB1,614,496,000 (2020: RMB1,514,028,000). Further details are included in note 28 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 2021

	Pharmaceutical manufacturing RMB'000	Medical devices and medical diagnosis RMB'000	Healthcare Service RMB'000	Pharma-ceutical distribution and retail RMB'000	Other business operations RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	28,771,650	5,926,560	4,114,652	—	45,223	—	38,858,085
Intersegment sales	308,140	35,311	70,915	—	29,991	(444,357)	—
Total revenue	29,079,790	5,961,871	4,185,567	—	75,214	(444,357)	38,858,085
Segment results*	2,963,741	825,648	(366,706)	—	44,124	(259,731)	3,207,076
Other income	293,101	26,947	44,991	—	50	—	365,089
Other gains	405,285	1,896,659	217,403	—	562,015	(113,095)	2,968,267
Interest income	172,410	28,007	26,696	—	502	(23,120)	204,495
Finance costs	(177,440)	(26,267)	(140,175)	—	(10,440)	118,060	(236,262)
Other expenses/Impairment losses on financial assets	(344,234)	(235,561)	(84,417)	—	(373,178)	—	(1,037,390)
Share of profits and losses of:							
Joint ventures	(247,973)	—	332	—	253	—	(247,388)
Associates	90,913	129,890	(87,083)	1,947,910	(45,105)	—	2,036,525
Unallocated other income, interest income, other gains, finance cost, and expenses							(1,206,574)
Profit/(loss) before tax	3,155,803	2,645,323	(388,959)	1,947,910	178,221	(277,886)	6,053,838
Tax	(526,030)	(645,719)	(43,624)	—	(52,449)	—	(1,267,822)
Unallocated tax							201,422
Profit/(loss) for the year	2,629,773	1,999,604	(432,583)	1,947,910	125,772	(277,886)	4,987,438
Segment assets	49,252,503	8,659,936	10,110,712	15,853,096	3,688,501	(2,408,016)	85,156,732
Including:							
Investments in joint ventures	272,802	—	832	—	9,203	—	282,837
Investments in associates	1,911,458	1,123,378	1,495,090	15,853,096	1,960,968	—	22,343,990
Unallocated assets							8,080,170
Total assets							93,236,902
Segment liabilities	21,492,287	2,677,604	4,855,573	—	1,253,382	(14,388,666)	15,890,180
Unallocated liabilities							29,028,044
Total liabilities							44,918,224
Other segment information:							
Depreciation and amortisation	1,301,381	270,636	343,167	—	33,256	—	1,948,440
Impairment losses recognised in the statement of profit or loss, net	260,808	212,124	57,882	—	373,075	—	903,889
Capital expenditure**	3,458,408	295,976	850,447	—	129,337	—	4,734,168

* 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 2020

	Pharmaceutical manufacturing RMB'000	Medical devices and medical diagnosis RMB'000	Healthcare Service RMB'000	Pharma-ceutical distribution and retail RMB'000	Other business operations RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	21,748,464	5,208,011	3,170,116	—	36,669	—	30,163,260
Intersegment sales	60,875	72,844	10,507	—	56,842	(201,068)	—
Total revenue	21,809,339	5,280,855	3,180,623	—	93,511	(201,068)	30,163,260
Segment results*	2,262,000	1,052,601	194,547	—	57,996	(40,730)	3,526,414
Other income	319,528	24,292	55,781	(165)	1,569	—	401,005
Other gains	438,031	18,784	21,475	—	100,880	—	579,170
Interest income	113,754	26,503	34,521	—	562	(9,907)	165,433
Finance costs	(121,695)	(29,752)	(40,002)	—	(11,101)	49,585	(152,965)
Other expenses/Impairment losses on financial assets	(74,034)	(81,474)	(55,201)	—	(127,449)	—	(338,158)
Share of profits and losses of:							
Joint ventures	(132,500)	—	—	—	(757)	—	(133,257)
Associates	81,230	27,745	(35,900)	1,807,036	(166,519)	—	1,713,592
Unallocated other income, interest income,other gains, finance cost, and expenses							(1,083,388)
Profit/(loss) before tax	2,886,314	1,038,699	175,221	1,806,871	(144,819)	(1,052)	4,677,846
Tax	(531,484)	(131,393)	(66,620)	—	(987)	—	(730,484)
Unallocated tax							(7,381)
Profit/(loss) for the year	2,354,830	907,306	108,601	1,806,871	(145,806)	(1,052)	3,939,981
Segment assets	44,513,268	8,201,827	10,178,485	14,456,326	4,455,162	(2,516,852)	79,288,216
Including:							
Investments in joint ventures	372,056	—	—	—	9,560	—	381,616
Investments in associates	2,247,454	550,027	1,615,642	14,456,326	3,001,517	—	21,870,966
Unallocated assets							4,340,907
Total assets							83,629,123
Segment liabilities	16,528,770	2,298,017	2,575,468	—	515,898	(9,713,157)	12,204,996
Unallocated liabilities							25,496,731
Total liabilities							37,701,727
Other segment information:							
Depreciation and amortisation	1,223,708	205,708	268,790	—	29,931	—	1,728,137
Impairment losses recognised in the statement of profit or loss, net	4,727	76,244	44,766	—	127,353	—	253,090
Capital expenditure**	3,482,641	210,747	833,716	—	101,844	—	4,628,948

* 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

	2021 RMB'000	2020 RMB'000
Chinese Mainland	**25,259,076**	21,974,958
Overseas countries and regions	**13,599,009**	8,188,302
	38,858,085	30,163,260

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2021 RMB'000	2020 RMB'000
Chinese Mainland	**50,320,906**	45,484,849
Overseas countries and regions	**10,763,767**	11,163,881
	61,084,673	56,648,730

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

No revenue amounting to 10% or more of the Group's total revenue was derived from sales to a single customer for the years ended 31 December 2021 and 2020.

5. REVENUE

An analysis of the Group's revenue is as follows:

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers	**38,820,978**	30,127,941
Revenue from other sources		
Gross rental income	**37,107**	35,319
	38,858,085	30,163,260

5. REVENUE (Continued)

(i) Disaggregated revenue information

For the year ended 31 December 2021

Segments	Pharmaceutical manufacturing RMB'000	Medical devices and medical diagnosis RMB'000	Healthcare Service RMB'000	Pharmaceutical distribution and retail RMB'000	Other business operations RMB'000	Total RMB'000
Types of goods or services						
Sale of medical products	27,787,940	5,760,396	183,029	—	—	33,731,365
Rendering of services and others	869,645	128,754	3,928,883	—	17,805	4,945,087
Sale of materials	111,035	32,722	769	—	—	144,526
Total revenue from contracts with customers	28,768,620	5,921,872	4,112,681	—	17,805	38,820,978
Geographical markets						
Chinese Mainland	18,112,804	2,983,004	4,111,252	—	14,978	25,222,038
Overseas countries and regions	10,655,816	2,938,868	1,429	—	2,827	13,598,940
Total revenue from contracts with customers	28,768,620	5,921,872	4,112,681	—	17,805	38,820,978
Timing of revenue recognition						
Goods and materials transferred at a point in time	27,898,975	5,793,118	183,798	—	—	33,875,891
Services transferred at a point in time	620,861	23,002	3,928,883	—	17,805	4,590,551
Services transferred over time	248,784	105,752	—	—	—	354,536
Total revenue from contracts with customers	28,768,620	5,921,872	4,112,681	—	17,805	38,820,978

5. REVENUE (Continued)

(i) Disaggregated revenue information (Continued)

For the year ended 31 December 2020

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	20,941,989	4,723,613	54,537	—	—	25,720,139
Rendering of services and others	730,823	482,439	3,113,049	—	7,940	4,334,251
Sale of materials	72,006	1,545	—	—	—	73,551
Total revenue from contracts with customers	21,744,818	5,207,597	3,167,586	—	7,940	30,127,941
Geographical markets						
Chinese Mainland	15,957,389	2,808,548	3,167,586	—	6,129	21,939,652
Overseas countries and regions	5,787,429	2,399,049	—	—	1,811	8,188,289
Total revenue from contracts with customers	21,744,818	5,207,597	3,167,586	—	7,940	30,127,941
Timing of revenue recognition						
Goods and materials transferred at a point in time	21,013,995	4,725,158	54,537	—	—	25,793,690
Services transferred at a point in time	592,042	379,626	3,113,049	—	7,940	4,092,657
Services transferred over time	138,781	102,813	—	—	—	241,594
Total revenue from contracts with customers	21,744,818	5,207,597	3,167,586	—	7,940	30,127,941

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:

	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in contract liabilities as at the beginning of the reporting period:		
Advances from customers	**987,844**	469,086
Warranty services	**32,465**	34,597
	1,020,309	503,683

5. REVENUE (Continued)

(ii) Performance obligations

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

Sale of goods

The performance obligation is satisfied at the point when control of the asset is transferred to the customer.

Rendering of services

— The performance obligation is recognized at the point in time when the service is provided

— The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of installation and customer acceptance.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2021 RMB'000	2020 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**1,150,274**	1,020,309
After one year	**239,011**	121,712
	1,389,285	1,142,021

The amounts disclosed above do not include variable consideration which is constrained.

6. OTHER INCOME

	2021 RMB'000	2020 RMB'000
Dividend income from financial assets at fair value through profit or loss	**47,894**	25,583
Dividend income from equity investments at fair value through other comprehensive income	**8**	1,554
Government grants	**326,170**	391,030
Others	**1,662**	2,597
	375,734	420,764

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2021 RMB'000	2020 RMB'000
Cost of inventories sold		**16,618,199**	10,849,189
Cost of services provided		**3,610,070**	2,884,340
Staff costs (including directors', supervisors' and chief executive's remuneration *(note 10)*):			
Salaries and other staff costs		**6,837,554**	5,196,102
Retirement benefits:			
Defined contribution fund		**439,064**	118,727
Accommodation benefits:			
Defined contribution fund		**257,397**	187,663
Share-based payment expense		**64,286**	55,220
		7,598,301	5,557,712
Research and development expenses:			
Current year expenditure excluding amortisation of other intangible assets		**3,720,609**	2,682,613
Less: Government grants for R&D projects*		**(72,032)**	(104,714)
		3,648,577	2,577,899
Auditors' remuneration		**4,760**	4,700
Depreciation of property, plant and equipment	15	**1,183,576**	1,006,023
Amortisation of other intangible assets	18	**567,710**	514,896
Provision for impairment of inventories		**64,611**	64,399
Impairment losses on financial assets	23 & 26 & 27	**74,016**	104,836
Provision for impairment of goodwill	17	**150,000**	—
Provision for other intangible assets	18	**152,775**	—
Provision for impairment of investments in associates	20	**462,488**	83,855
Depreciation of right-of-use assets	16	**197,154**	207,218
Lease payments not included in the measurement of lease liabilities		**56,780**	28,141
Gain on disposal of financial assets at fair value through profit or loss	8	**(86,432)**	(448,088)
Gain on fair value change of financial assets at fair value through profit or loss, net	8	**(352,299)**	(578,657)
Gain on disposal of interests in associates and joint ventures	8	**(687,245)**	(220,275)
Foreign exchange (gain)/loss, net		**(154,627)**	24,790
Gain on disposal of subsidiaries	8	**(2,013,109)**	(8,146)
Loss on disposal of items of property, plant and equipment and other intangible assets		**33,656**	4,399
Provision for the loss contract		**191,271**	—
Donations		**36,063**	40,384

* 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

	2021 RMB'000	2020 RMB'000
Gain on disposal of interests in associates and joint ventures	**687,245**	220,275
Gain on disposal of financial assets at fair value through profit or loss	**86,432**	448,088
Gain on fair value change of financial assets at fair value through profit or loss, net	**352,299**	578,657
Foreign exchange gain, net	**154,627**	—
Gain on disposals of subsidiaries	**2,013,109**	8,146
Others	**28,661**	23,085
	3,322,373	1,278,251

9. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest on bank loans and other borrowings (excluding lease liabilities)	**819,179**	867,673
Interest on lease liabilities	**27,836**	29,824
	847,015	897,497
Less: Interest capitalised *(note 15)*	**(24,481)**	(16,545)
Interest expenses, net	**822,534**	880,952

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:

	2021 RMB'000	2020 RMB'000
Fees	**1,202**	1,200
Other emoluments:		
Salaries, allowances and benefits in kind	**8,391**	12,530
Performance related bonuses	**31,735**	19,049
Pension scheme contributions	**192**	27
	40,318	31,606
	41,520	32,806

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2021 RMB'000	2020 RMB'000
Mr. Jiang Xian*	**160**	300
Dr. Huang Tianyou**	**160**	300
Ms. Li Ling	**300**	300
Mr. Tang Guliang	**300**	300
Mr. Wang Quandi***	**141**	—
Mr. Yu Zishan****	**141**	—
	1,202	1,200

* Mr. Jiang Xian retired as an independent non-executive director of the Company in June 2021.

** Dr. Huang Tianyou retired as an independent non-executive director of the Company in June 2021.

*** Mr. Wang Quandi was elected as an independent non-executive director of the Company in June 2021.

**** Mr. Yu Zishan was elected as an independent non-executive director of the Company in June 2021.

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

10. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors, supervisors and the chief executive

	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
2021					
Executive directors					
Mr. Wu Yifang	—	2,947	8,037	40	11,024
Mr. Wang Kexin*	—	2,260	4,928	48	7,236
Ms Guan Xiaohui**	—	2,176	2,712	52	4,940
	—	7,383	15,677	140	23,200
Mr. Wu Yifang is also Chief Executive of the Company.					
Non-executive directors					
Mr. Chen Qiyu***	—	—	6,000	—	6,000
Mr. Yao Fang****	—	—	9,225	—	9,225
Mr. Gong Ping*****	—	—	—	—	—
Mr. Pan Donghui******	—	—	—	—	—
Mr. Zhang Houlin*********	—	—	—	—	—
Mr. Xu Xiaoliang	—	—	—	—	—
	—	—	15,225	—	15,225
Supervisors					
Ms. Ren Qian	—	1,008	833	52	1,893
Mr. Guan Yimin	—	—	—	—	—
Mr. Cao Genxing	—	—	—	—	—
	—	1,008	833	52	1,893
	—	8,391	31,735	192	40,318
2020					
Executive directors					
Mr. Chen Qiyu***	—	4,427	5,098	8	9,533
Mr. Yao Fang****	—	4,438	6,644	8	11,090
Mr. Wu Yifang	—	2,657	6,550	3	9,210
	—	11,522	18,292	19	29,833
Non-executive directors					
Mr. Xu Xiaoliang	—	—	—	—	—
Mr. Gong Ping*****	—	—	—	—	—
Mr. Pan Donghui******	—	—	—	—	—
Mr. Wang Can*******	—	—	—	—	—
Ms. Mu Haining********	—	—	—	—	—
Mr. Zhang Houli*********	—	—	—	—	—
Mr. Liang Jianfeng**********	—	—	—	—	—
	—	—	—	—	—
Supervisors					
Ms. Ren Qian	—	1,008	757	8	1,773
Mr. Guan Yimin	—	—	—	—	—
Mr. Cao Genxing	—	—	—	—	—
	—	1,008	757	8	1,773
	—	12,530	19,049	27	31,606

* Mr. Wang Kexin was elected as an executive director of the Company in December 2021.
** Ms. Guan Xiaohui was elected as an executive director of the Company in December 2021.
*** Mr. Chen Qiyu retired as an executive director and was elected as a non-executive director of the Company in October 2020.
**** Mr. Yao Fang retired as an executive director and was elected as a non-executive director of the Company in October 2020.
***** Mr. Gong Ping was elected as a non-executive director of the Company in June 2020 and retired as a non-executive director of the Company in November 2021.
****** Mr. Pan Donghui was elected as a non-executive director of the Company in June 2020.
******* Mr. Wang Can retired as a non-executive director of the Company in January 2020.
******** Ms. Mu Haining retired as a non-executive director of the Company in June 2020.
********* Mr. Zhang Houlin retired as a non-executive director of the Company in November 2021.
********** Mr. Liang Jianfeng retired as a non-executive director of the Company in January 2020.

There was no arrangement under which a director, a supervisor or the chief executive waived or agreed to waive any remuneration during the year (2020: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors including the chief executive (2020: three directors including the chief executive), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining two (2020: two) highest paid employees who are not a director, supervisor, or the chief executive of the Company are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	**4,638**	5,746
Performance related bonuses	**16,773**	12,783
Pension scheme contributions	**151**	106
	21,562	18,635

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 2021	2020
HKD8,500,001 to HKD9,000,000	**1**	—
HKD10,000,001 to HKD10,500,000	**—**	1
HKD12,000,001 to HKD12,500,000	**—**	1
HKD17,000,001 to HKD17,500,000	**1**	—
	2	2

12. INCOME TAX

The provision for Mainland China current income tax is based on a statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China, which are taxed at preferential rates of 0% to 20%.

12. INCOME TAX (Continued)

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated taxable profits arising in Hong Kong during the year. The provision of current income tax of Sisram Medical Limited ("Sisram Medical"), a subsidiary of the Company incorporated in Israel, is based on a preferential rate of 6%. The provision of current income tax of Nova Medical Israel Ltd. ("Nova"), a subsidiary of the Company incorporated in Israel, is based on a statutory rate of 23%. The provision of current tax of Gland Pharma Limited ("Gland Pharma"), a subsidiary of the Company incorporated in India, was based on a statutory rate of 25.17%. The provision of current tax of Breas Medical Holdings AB ("Breas"), a subsidiary of the Company incorporated in Sweden, is based on a statutory rate of 20.6%. The provision of current tax of Tridem Pharma S.A.S ("Tridem Pharma"), a subsidiary of the Company incorporated in France, is based on a statutory rate of 26.5%.

	2021 RMB'000	2020 RMB'000
Current	**1,016,217**	854,479
Deferred *(note 22)*	**50,183**	(116,614)
Total tax charge for the year	**1,066,400**	737,865

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries in which the company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2021 RMB'000	2020 RMB'000
Profit before tax	**6,053,838**	4,677,846
Tax at the statutory tax rate	**1,428,315**	1,096,167
Lower tax rates for certain entities	**(124,361)**	(246,686)
Adjustments in respect of current tax of previous years	**9,906**	15,589
Profit attributable to joint ventures and associates	**(435,547)**	(413,725)
Income not subject to tax	**(139,093)**	(83,411)
Expenses not deductible for tax	**49,619**	40,316
Influence of the change of tax rate on the deferred income tax balance	**955**	(3,975)
Tax losses utilised from previous periods	**(289,627)**	(141,963)
Tax incentives on eligible expenditures	**(228,676)**	(123,401)
Deductible temporary differences and tax losses not recognised	**794,909**	598,954
Tax charge at the Group's effective rate	**1,066,400**	737,865

13. DIVIDENDS

Cash dividend

	2021 RMB'000	2020 RMB'000
Proposed final — RMB0.56 (2020: RMB0.43) per ordinary share	**1,435,223**	1,102,046

The Company proposed to distribute a cash dividend of RMB0.56 (inclusive of tax) for each ordinary share to all shareholders. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and the final dividend amount will be determined by the number of the ordinary shares on the dividend payment date.

The amount of the proposed final dividend of RMB1,435,223 thousand is calculated based on the total number of ordinary shares of the Company of 2,562,898,545 shares on the record of 22 March 2022.

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,562,898,545 (2020: 2,562,898,545) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares if applicable.

When calculating the weighted average number of shares in the calculation of the diluted earnings per share amounts, the dilutive potential ordinary shares which were issued in prior years are assumed to be converted at the beginning of the year and the dilutive potential ordinary shares which were issued during the year are assumed to be converted at the issuance date if applicable. For the year ended 31 December 2021, there were no dilutive potential ordinary shares outstanding.

	2021 RMB'000	2020 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**4,735,270**	3,662,813

	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**2,562,898,545**	2,562,898,545

15. PROPERTY, PLANT AND EQUIPMENT

	Year ended 31 December 2021								
	Land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Medical devices RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:									
At 1 January 2021	196,579	6,362,326	6,665,391	730,994	755,531	120,679	500,014	4,121,545	19,453,059
Additions	16,728	45,045	418,162	111,198	133,978	12,072	123,263	2,210,937	3,071,383
Acquisitions of subsidiaries *(note 40)*	—	—	21,098	—	4,217	752	25,938	262,271	314,276
Disposals	—	(115,916)	(203,284)	(49,633)	(48,042)	(15,255)	(10,245)	(34,430)	(476,805)
Disposal of subsidiaries *(note 41)*	—	(9,101)	(49,422)	(155)	(121,402)	(3,312)	(16,279)	(1,430,709)	(1,630,380)
Classified as assets held for sale	—	(206,442)	(51,728)	—	—	—	—	—	(258,170)
Transferred from construction in progress	—	543,979	786,125	14,221	22,091	4,392	141,101	(1,511,909)	—
Exchange realignment	(9,622)	(11,683)	(55,195)	(374)	(3,207)	(821)	—	—	(80,902)
At 31 December 2021	203,685	6,608,208	7,531,147	806,251	743,166	118,507	763,792	3,617,705	20,392,461
Accumulated depreciation:									
At 1 January 2021	—	(2,295,197)	(3,431,330)	(492,529)	(397,155)	(73,977)	(177,307)	—	(6,867,495)
Depreciation charge for the year *(note 7)*	—	(258,354)	(622,060)	(89,922)	(86,085)	(13,096)	(114,059)	—	(1,183,576)
Acquisitions of subsidiaries *(note 40)*	—	—	(7,109)	—	(693)	(597)	(14,417)	—	(22,816)
Disposals	—	74,290	167,978	47,190	33,163	11,613	2,500	—	336,734
Disposal of subsidiaries *(note 41)*	—	4,752	22,205	38	42,390	1,869	14,728	—	85,982
Classified as assets held for sale	—	197,759	48,767	—	—	—	—	—	246,526
Exchange realignment	—	5,050	21,518	297	2,211	502	—	—	29,578
At 31 December 2021	—	(2,271,700)	(3,800,031)	(534,926)	(406,169)	(73,686)	(288,555)	—	(7,375,067)
Impairment losses:									
At 1 January 2021	—	(3,272)	(2,143)	—	(276)	—	—	—	(5,691)
Disposals	—	—	115	—	—	—	—	—	115
At 31 December 2021	—	(3,272)	(2,028)	—	(276)	—	—	—	(5,576)
Net carrying amount:									
At 31 December 2021	203,685	4,333,236	3,729,088	271,325	336,721	44,821	475,237	3,617,705	13,011,818
At 1 January 2021	196,579	4,063,857	3,231,918	238,465	358,100	46,702	322,707	4,121,545	12,579,873

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Year ended 31 December 2020								
	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 2020	188,044	5,799,237	5,919,844	691,326	642,369	117,337	284,420	3,149,906	16,792,483
Additions	25,295	32,333	387,114	74,404	131,137	13,216	203,555	2,181,787	3,048,841
Acquisitions of subsidiaries	—	619	137,667	—	11,914	318	37,210	3,111	190,839
Disposals	—	(61,012)	(124,280)	(32,518)	(31,087)	(12,020)	(24,123)	(100,878)	(385,918)
Disposal of a subsidiary	—	(27,101)	(1,394)	(10,069)	(1,652)	(804)	(1,048)	(2,645)	(44,713)
Transferred from construction in progress	—	647,792	441,123	8,246	9,367	3,208	—	(1,109,736)	—
Exchange realignment	(16,760)	(29,542)	(94,683)	(395)	(6,517)	(576)	—	—	(148,473)
At 31 December 2020	196,579	6,362,326	6,665,391	730,994	755,531	120,679	500,014	4,121,545	19,453,059
Accumulated depreciation:									
At 1 January 2020	—	(2,105,341)	(2,990,934)	(440,188)	(333,414)	(72,222)	(123,732)	—	(6,065,831)
Depreciation charge for the year *(note 7)*	—	(246,741)	(522,588)	(80,321)	(82,592)	(11,865)	(61,916)	—	(1,006,023)
Acquisitions of subsidiaries	—	(515)	(66,207)	—	(4,166)	(318)	—	—	(71,206)
Disposals	—	54,177	110,325	27,116	19,868	9,916	8,249	—	229,651
Disposal of a subsidiary	—	121	125	636	137	94	92	—	1,205
Exchange realignment	—	3,102	37,949	228	3,012	418	—	—	44,709
At 31 December 2020	—	(2,295,197)	(3,431,330)	(492,529)	(397,155)	(73,977)	(177,307)	—	(6,867,495)
Impairment losses:									
At 1 January 2020	—	(3,272)	(2,144)	—	(276)	—	—	—	(5,692)
Disposals	—	—	1	—	—	—	—	—	1
At 31 December 2020	—	(3,272)	(2,143)	—	(276)	—	—	—	(5,691)
Net carrying amount:									
At 31 December 2020	196,579	4,063,857	3,231,918	238,465	358,100	46,702	322,707	4,121,545	12,579,873
At 1 January 2020	188,044	3,690,624	2,926,766	251,138	308,679	45,115	160,688	3,149,906	10,720,960

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The carrying amounts of construction in progress of the Group included capitalised interest of approximately RMB24,481,000 (2020: RMB16,545,000) charged for the year (note 9) prior to being transferred to property, plant and equipment.

As at 31 December 2021, the Group has not obtained title certificates for certain of the buildings with an aggregate net carrying amount of approximately RMB58,520,000 (2020: RMB65,537,000). 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 2021.

As at 31 December 2021, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB550,040,000 (2020: RMB188,426,000) were pledged to secure certain of the Group's bank and other borrowings (note 33).

As at 31 December 2021, the net carrying values of the group's property, plant and equipment leased out for operating purposes are as follows:

	2021 RMB'000	2020 RMB'000
Buildings	72,110	89,731
Plant and machinery	—	279
	72,110	90,010

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 2021	**683,089**	**50,133**	**12,315**	**1,920,865**	**2,666,402**
Additions	**198,974**	**—**	**—**	**138,175**	**337,149**
Acquisition of subsidiaries	**1,282**	**—**	**—**	**24,148**	**25,430**
Disposal	**(22,449)**	**(5,792)**	**—**	**—**	**(28,241)**
Disposal of subsidiaries	**(8,329)**	**—**	**—**	**(187,883)**	**(196,212)**
Classified as assets held for sale	**—**	**—**	**—**	**(32,483)**	**(32,483)**
Depreciation charge	**(144,174)**	**(7,732)**	**(4,874)**	**(40,374)**	**(197,154)**
Effect of foreign exchange rate changes, net	**(4,872)**	**—**	**(223)**	**—**	**(5,095)**
As at 31 December 2021	**703,521**	**36,609**	**7,218**	**1,822,448**	**2,569,796**

	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 2020	456,853	55,317	12,627	1,929,945	2,454,742
Additions	418,690	—	5,610	98,556	522,856
Disposal	(22,166)	—	—	—	(22,166)
Disposal of a subsidiary	—	—	—	(68,129)	(68,129)
Depreciation charge	(157,338)	(5,184)	(5,189)	(39,507)	(207,218)
Effect of foreign exchange rate changes, net	(12,950)	—	(733)	—	(13,683)
As at 31 December 2020	683,089	50,133	12,315	1,920,865	2,666,402

As at 31 December 2021, certain of the Group's prepaid land lease payments with a net carrying amount of RMB513,993,000 were pledged to secure certain of the Group's bank and other borrowings (note 33).

16. LEASE (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

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

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January 2021	**778,375**	553,974
New leases	**198,974**	424,300
Acquisition of subsidiaries	**1,311**	—
Accretion of interest recognised during the year	**27,836**	29,824
Covid-19-related rent concessions from lessors	**(60)**	(6,548)
Payments	**(166,879)**	(194,632)
Lease termination	**(40,822)**	(26,079)
Effect of foreign exchange rate changes, net	**(8,879)**	(2,464)
As at 31 December 2021	**789,856**	778,375
Analysed into:		
Current portion	**141,496**	151,084
Non-current portion	**648,360**	627,291

There are no lease liabilities due to the Group's other related companies (2020: RMB7,076,000).

The maturity analysis of lease liabilities is disclosed in note 34 to the financial statements.

As disclosed in note 2.2 to the financial statements, the Group has early adopted the amendment to HKFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain plant and equipment during the year.

16. LEASE (Continued)

The Group as a lessee (Continued)

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

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	**27,836**	29,824
Depreciation charge of right-of-use assets	**197,154**	207,218
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2021	**56,780**	27,531
Expense relating to leases of low-value assets	**—**	610
Covid-19-related rent concessions from lessors	**(60)**	(6,548)
Total amount recognised in profit or loss	**281,710**	258,635

The Group as a lessor

The Group leases part of its buildings, plant and equipment (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 RMB37,107,000 (2020: RMB35,319,000), details of which are included in note 5 to the financial statements.

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

	2021 RMB'000	2020 RMB'000
Within one year	**23,695**	35,103
After one year but within two years	**11,455**	27,795
After two years but within three years	**3,155**	8,544
Over three years	**41,889**	34
	80,194	71,476

17. GOODWILL

	2021 RMB'000	2020 RMB'000
Cost and net carrying amount at 1 January	**8,677,249**	9,013,990
Acquisitions of subsidiaries	**1,024,242**	—
Provision for impairment of goodwill	**(150,000)**	—
Disposal of subsidiaries	**(24,241)**	—
Exchange realignment	**(127,263)**	(336,741)
Net carrying amount at 31 December	**9,399,987**	8,677,249

	2021 RMB'000	2020 RMB'000
At 31 December		
Cost	**9,907,487**	9,034,749
Accumulated impairment	**(507,500)**	(357,500)
Net carrying amount	**9,399,987**	8,677,249

	2021 RMB'000	2020 RMB'000
Goodwill of Gland Pharma*	**3,633,717**	3,718,750
Goodwill of Antejin***	**985,063**	—
Goodwill of Avanc Pharma and subsidiaries	**796,231**	946,231
Goodwill of Sisram and subsidiaries*	**708,868**	725,457
Goodwill of Hengsheng Hospital	**636,933**	636,933
Goodwill of Erye Pharma	**503,373**	503,373
Goodwill of Chongqing Yao Pharma and subsidiaries	**459,967**	459,967
Goodwill of Chancheng Hospital & Zhuhai Chancheng	**329,804**	329,804
Goodwill of Breas*	**259,694**	267,644
Goodwill of Hongqi Pharma	**205,952**	205,952
Goodwill of Dalian Aleph	**183,920**	183,920
Goodwill of Tridem Pharma**	**158,612**	176,304
Goodwill of Wanbang Pharma and subsidiaries	**143,009**	143,009
Goodwill of other subsidiaries***	**394,844**	379,905
	9,399,987	8,677,249

* Goodwill of Gland Pharma, Sisram and Breas is measured in USD.

** Goodwill of Tridem Pharma is measured in EUR.

*** The increase in goodwill during the reporting period was mainly due to the acquisition of Antejin and Suzhou Baidao

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:

2021	At beginning of year RMB'000	Additions RMB'000	Disposals RMB'000	At end of year RMB'000
Provisions for impairment of:				
Goodwill of Dalian Aleph	202,500	—	—	202,500
Goodwill of Chancheng Hospital & Zhuhai Chancheng	15,000	—	—	15,000
Goodwill of Avanc Pharma and subsidiaries	60,000	150,000	—	210,000
Goodwill of Breas	80,000	—	—	80,000
	357,500	150,000	—	507,500

2020	At beginning of year RMB'000	Additions RMB'000	Disposals RMB'000	At end of year RMB'000
Provisions for impairment of:				
Goodwill of Dalian Aleph	202,500	—	—	202,500
Goodwill of Chancheng Hospital & Zhuhai Chancheng	15,000	—	—	15,000
Goodwill of Avanc Pharma and subsidiaries	60,000	—	—	60,000
Goodwill of Breas	80,000	—	—	80,000
	357,500	—	—	357,500

Amount to RMB1,024,242,000 of goodwill was increased through acquiring subsidiaries of Antejin and Suzhou Baidao during the year(note 40).

The Group performs an impairment test on the goodwill at the end of each year. After the test, the Group has made an additional impairment provision of RMB150,000,000 for the goodwill of Avanc Pharmaceutical and its subsidiaries.

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.

17. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Assumptions were used in the value-in-use calculation of all the cash-generating units for 31 December 2021 and 31 December 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(1) The Group under evaluation continues to operate and there are no major changes affecting the key aspects of production and operations and the current situation in terms of business scope, sales model, channels and management.

(2) The socio-economic environment in which the group under evaluation is located does not cause major changes and there are no major changes in relevant laws, regulations, policies and regulations.

(3) The business scope, operating mode, and management mode of the group under evaluation are consistent and continuously adjusted with the development of the economy.

(4) The interest rate, exchange rate, tax base and tax rate will not change significantly within the normal range prescribed by the state.

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budget year, adjusted for expected efficiency adjustments and expected market development.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

The growth rates beyond the forecast period — The growth rates beyond the forecast period are the rate of inflation.

The values assigned to key assumptions on market development of the related products and industry are consistent with historical experience of the Group and external information sources.

Pharmaceutical manufacturing

The goodwill arising from pharmaceutical manufacturing segment is allocated to the corresponding subsidiaries, and each subsidiary is recognised as an asset group for goodwill impairment test. The recoverable amount of the goodwill asset group is determined by the carrying amount of the estimated future cash flows of the asset group according to the cash flow projection based on a 5 to 9 year financial budget. The discount rate used for the cash flow projections of the asset group is 15% to 19%, which infer that the inflation rate after the projection period is 3%.

17. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Pharmaceutical manufacturing (Continued)

Goodwill of Gland Pharma

Gland Pharma, founded in 1978 and headquartered in Hyderabad, India, is a generic injection company with R&D capabilities for original pharmaceuticals and preparations. At present, it mainly provides manufacturing services of generic injection for large-scale pharmaceutical companies worldwide. Gland Pharma is the first Indian manufacturer of injectable pharmaceuticals approved by United States. Food and Drug Administration, and has the ability to register and sell drugs in the regulatory markets. Its products are mainly sold to the United States and Europe. On November 2020, Gland Pharma was listed on BSE limited and national stock exchange of India limited. The Group regularly evaluates the above-mentioned operating activities and, unifies the resource allocation based on the evaluation results. Therefore, Gland Pharma as a whole is recognized as an asset group. According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of the Gland Pharma's asset group. The Group believes that there is no impairment of the goodwill during 2021.

Goodwill of Avanc Pharma and subsidiaries

Avanc Pharma and subsidiaries focus on pharmaceutical products whose major products included Aodejin (Calf blood serum injection), Bangting (Hemocoagulase for injection) and others. In 2019, Avanc Pharma obtained first class listed pharmaceutical chemicals Penehyclidine hydrochloride injection (Changtuoning) through acquiring Chengdu List Pharmaceutical Co., Ltd. (hereinafter called the "List Pharma"). Meanwhile, Avanc Pharma recombined its own business with those of List Pharma, improving the strategic layout by transferring the production of Changtoning and integrate the sales channels. The group will have overall assessment for mentioned-above operating activities regularly, and allocate resources accordingly; therefore, Avanc Pharma is regarded as an asset group.

In July 2019, the general office of National Health Commission published notice regarding the "The first batch of medicine catalogue which required special monitoring about the rational use of medicine", and Aodejin of Avanc Pharm is listed in the catalogue, and since then Aodejin (Calf serum deproteinized injection) has been withdrawn from the medical insurance catalogs of various provinces one after another. As certain influence on the future revenue and profitability of Aodejin is anticipated, the Group had recognised an impairment loss of RMB60,000,000 in 2019.

In order to adapt to the changes in industry policies, Avanc Pharma and subsidiaries launched a strategic transformation, strengthened R&D competitiveness as its management core, created products in advantageous fields through a joint R&D platform, strengthened the clinical-registration-technology transfer capabilities of the R&D team, and enriched and consolidated product lines and the commercialization capacity. On one hand, Avanc Pharma and subsidiaries concentrates resources to improve the quality of R&D projects; on the other hand, Avanc Pharma and subsidiaries introduced products which were listed in the domestic market through multiple channels. As of the date of this announcement, in the existing pipeline of research and development projects, the first subject of the Phase III clinical trial has been enrolled, where the anti-tumor small molecule innovative drug FCN-437c was used in the treatment of hormone receptor positive (HR+) and human epidermal growth factor receptor 2 negative (HER2-) advanced breast cancer in China. The self-developed tranexamic acid injection has been accepted by the State Food and Drug Administration for drug registration application review. At the same time, the research and development of a number of difficult generic drugs under development is also progressing as planned.

17. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Pharmaceutical manufacturing (Continued)

Goodwill of Avanc Pharma and subsidiaries (Continued)

As Avanc Pharma and subsidiaries were still in the process of transformation and upgrading, which will take time for the pipeline products under development to be launched. Meanwhile, the sales of the stock product Aodejin (Calf Serum Deproteinized Injection) declined. Based on the above factors, it was estimated that the present value of future cash flows was lower than the carrying amount of the book value of the Avanc Pharma and its subsidiaries' asset groups, the Group recognized an impairment loss of RMB150,000,000 in 2021.

Goodwill of Erye Pharma

Erye Pharma is a comprehensive pharmaceutical company that produces APIs, powder injections (including penicillins, cephalosporins), freeze-dried powders and oral preparations. The Group regularly evaluates the above-mentioned business activities and, unifies the resource allocation based on the evaluation results. Therefore, Erye Pharma as a whole is recognised as an asset group. According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of the Erye Pharma's asset group. The Group believes that there is no impairment of the goodwill during 2021.

For the Group's calculation of the present value (recoverable amount) of the estimated future cash flows of the above asset groups of Avanc Pharma and subsidaries and Erye Pharma is also referred to the results of Shanghai Orient Appraisal Co., Ltd.'s report on 20 March 2022 No. 0506 of Orient Appraisal Evaluation Report [2022] "The assessment report of the recoverable amount of 7 related asset groups for the purpose of financial reporting of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.".

Medical devices and medical diagnosis

The goodwill arising from medical devices and medical diagnostics segment is allocated to the corresponding subsidiaries, and the subsidiary is recognised as an asset group for goodwill impairment test. The recoverable amount of the goodwill asset group is determined based on the present value of the asset group's estimated future cash flows, and its estimated future cash flows are determined based on a nine-year financial budget. The discount rate used for cash flow projections is 16% to 18%, which is used to infer that the cash flow growth rate after the projection period is 3%, which is the inflation rate.

Goodwill of Sisram and subsidiaries

Sisram is a manufacturer of medical lasers, photonics and Radio Frequency equipment in Israel. Sisram ranks in the forefront of the medical beauty market, and has formed a strong competitive advantage in design capabilities, cost control, and customer base. Its medical laser and optical equipment is mainly used in dermatology, orthopedics, burn surgery, laser and many other fields, and Sisram and subsidiaries are dedicated to provide the comprehensive solution with core of top technology for the medical beauty market. Sisram merged downstream distributor Nova Medical Israel Ltd. to integrate its sales channels in the Israel market during 2019. The Group regularly evaluates the above-mentioned business activities and, unifies resource allocation based on the evaluation results. Therefore, Sisram as a whole is recognised as an asset group. According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of the Sisram's asset group. The Group believes that there is no impairment of the goodwill during 2021.

17. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Medical devices and medical diagnosis (Continued)

Goodwill of Sisram and subsidiaries (Continued)

For the Group's calculation of the present value (recoverable amount) of the expected future cash flows of the above asset group is also referred to the results of Shanghai Orient Appraisal Co., Ltd.'s reports on 16 March 2022, No.0438 of Orient Appraisal Evaluation Report [2022] "The recoverable value assessment report about the related asset group of Alma Lasers, Ltd. which is a subsidiary of Sisram for the purpose of financial reporting on Shanghai Fosun Pharmaceutical (Group) Co., Ltd.".

Healthcare service

The goodwill arising from healthcare service segment is allocated to the corresponding subsidiary, and the subsidiary of goodwill is recognised as an asset group for goodwill impairment test. The recoverable amount of the goodwill asset group is determined by the present value of the estimated future cash flows of the asset group according to the cash flow projections based on a nine-year financial budget. The discount rate used for asset group cash flow projections is 15% to 19%, which infer that the inflation rate after the projection period is 3%.

Goodwill of Hengsheng Hospital

Hengsheng Hospital is a large-scale modern comprehensive Tertiary Hospital approved by the Health and Family Planning Commission of Guangdong Province, which integrates medical treatment, scientific research, teaching, rehabilitation and preventive health care. It is mainly engaged in healthcare service and is the designated medical institution for social medical insurance in Shenzhen. Shenzhen Workers' Injury Insurance Hospital, Shenzhen Children's Medical Insurance Hospital, Shenzhen 120 Emergency Medical Center Network Hospital, Shenzhen Hospital Association First Board of Directors, Shenzhen Baoan District Science Education Base, China Cervical Cancer Prevention and Control Project Hospital . The Group regularly evaluates the above-mentioned operating activities, unifies resource allocation based on the evaluation results. Hengsheng Hospital specialises in healthcare service and generates operating cash flow independently. Therefore, Hengsheng Hospital as a whole is recognised as an asset group. According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of the Hengsheng Hospital's asset group. The Group believes that there is no impairment of the goodwill during 2021.

The Group's calculation of the present value (recoverable amount) of the estimated future cash flows of the above asset groups is also referred to the results of Shanghai Orient Appraisal Co., Ltd.'s reports on 20 March 2022 No. 0506 of Orient Appraisal Evaluation Report [2022] "The assessment report of the recoverable amount of 7 related asset groups for the purpose of financial reporting of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.".

18. OTHER INTANGIBLE ASSETS

	Year ended 31 December 2021							
	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 2021	2,030,002	3,774,065	221,535	347,601	1,886,218	2,830,729	553,081	11,643,231
Additions	8,067	17,824	38,926	—	24,000	1,310,579	124,781	1,524,177
Acquisition of subsidiaries *(note 40)*	—	1,373,671	172	—	—	—	—	1,373,843
Transfer	522,965	306,951	—	—	—	(829,916)	—	—
Disposals	—	(23,706)	(684)	—	—	(152,775)	—	(177,165)
Disposal of subsidiaries *(note 41)*	—	(16,687)	(2,094)	—	—	—	(1,300)	(20,081)
Exchange realignment	(706)	(89,066)	(5,197)	(8,633)	(54,603)	—	—	(158,205)
At 31 December 2021	2,560,328	5,343,052	252,658	338,968	1,855,615	3,158,617	676,562	14,185,800
Accumulated amortisation:								
At 1 January 2021	(85,506)	(1,091,504)	(151,144)	(10,768)	(626,027)	(1,711)	(13,741)	(1,980,401)
Amortisation for the year *(note 7)*	(65,243)	(309,954)	(30,736)	(7,985)	(128,048)	—	(25,744)	(567,710)
Disposals	—	9,614	422	—	—	—	—	10,036
Disposal of subsidiaries *(note 41)*	—	10,751	1,263	—	—	—	1,300	13,314
Exchange realignment	225	13,573	4,813	17	16,134	—	—	34,762
At 31 December 2021	(150,524)	(1,367,520)	(175,382)	(18,736)	(737,941)	(1,711)	(38,185)	(2,489,999)
Impairment losses:								
At 1 January 2021	(64,000)	(20,614)	—	—	—	—	(475)	(85,089)
Provision	—	—	—	—	—	(152,775)	—	(152,775)
Disposals	—	—	—	—	—	152,775	—	152,775
At 31 December 2021	(64,000)	(20,614)	—	—	—	—	(475)	(85,089)
Net carrying amount:								
At 31 December 2021	2,345,804	3,954,918	77,276	320,232	1,117,674	3,156,906	637,902	11,610,712
At 1 January 2021	1,880,496	2,661,947	70,391	336,833	1,260,191	2,829,018	538,865	9,577,741

18. OTHER INTANGIBLE ASSETS (Continued)

	Year ended 31 December 2020							
	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 2020	931,398	3,806,485	178,982	282,228	1,987,984	3,051,928	426,610	10,665,615
Additions	9,472	109,375	44,926	78,007	—	1,220,903	18,868	1,481,551
Acquisition of subsidiaries	—	2,557	609	26	—	11,460	233	14,885
Transfer	1,089,449	74,509	—	—	—	(1,271,328)	107,370	—
Disposals	—	(1,034)	(2,276)	—	—	(182,234)	—	(185,544)
Disposal of a subsidiary	—	—	(9)	—	—	—	—	(9)
Exchange realignment	(317)	(217,827)	(697)	(12,660)	(101,766)	—	—	(333,267)
At 31 December 2020	2,030,002	3,774,065	221,535	347,601	1,886,218	2,830,729	553,081	11,643,231
Accumulated amortisation:								
At 1 January 2020	(43,423)	(854,627)	(118,622)	(2,804)	(519,243)	(1,711)	(3,850)	(1,544,280)
Amortisation for the year *(note 7)*	(42,053)	(283,383)	(33,455)	(8,016)	(138,215)	—	(9,774)	(514,896)
Acquisition of subsidiaries	—	(2,418)	(370)	—	—	—	(117)	(2,905)
Disposals	—	384	1,086	—	—	—	—	1,470
Disposal of a subsidiary	—	—	1	—	—	—	—	1
Exchange realignment	(30)	48,540	216	52	31,431	—	—	80,209
At 31 December 2020	(85,506)	(1,091,504)	(151,144)	(10,768)	(626,027)	(1,711)	(13,741)	(1,980,401)
Impairment losses:								
At 1 January 2020 and 31 December 2020	(64,000)	(20,614)	—	—	—	—	(475)	(85,089)
Net carrying amount:								
At 31 December 2020	1,880,496	2,661,947	70,391	336,833	1,260,191	2,829,018	538,865	9,577,741
At 1 January 2020	823,975	2,931,244	60,360	279,424	1,468,741	3,050,217	422,285	9,036,246

18. OTHER INTANGIBLE ASSETS (Continued)

As at 31 December 2021, 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	Avanc Pharma, Dalian Aleph, Dongting Pharma, Hongqi Pharma, Erye Pharma	495,000	The extension cost is low and the assets can be used indefinitely
Trademarks	Avanc Pharma, Dalian Aleph, Dongting Pharma, Huanghe Pharma, Erye Pharma	53,000	The extension cost is low and the assets can be used indefinitely
Trademarks	CML, Alma*	184,578	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	Henlius	48,921	The extension cost is low and the assets can be used indefinitely
		1,203,209	

* Trademarks of CML and Alma are measured in USD.

The Group performs impairment tests for the above individual intangible assets or the respective cash-generating units depending on whether the recoverable amounts of individual intangible assets can be reliably estimated.

Medicine licences

The recoverable amounts of medicine licences have been determined based on a value-in-use calculation using cash flow projections based on a financial budget covering a period of five to nine years period approved by senior management. The discount rates applied to the cash flow projections are in the range of 16% to 19%. The growth rate used to extrapolate the cash flows beyond the forecast period is 3%, which is also an estimate of the rate of inflation.

Trademarks

The recoverable amounts of trademarks have been determined based on a value-in-use calculation using cash flow projections based on a financial budget covering a period of five to nine years period approved by senior management. The discount rates applied to the cash flow projections are in the range of 16% to 19%. The growth rate used to extrapolate the cash flows beyond the five-year is 3%, which is also an estimate of the rate of inflation.

Operating concession rights

The recoverable amounts of operating concession rights have been determined based on a value-in-use calculation using cash flow projection based on a financial budget covering a nine-year period approved by senior management. The discount rate applied to the cash flow projection is 18%. The growth rate used to extrapolate the cash flows beyond the forecast period is 3%, which is also an estimate of the rate of inflation.

18. OTHER INTANGIBLE ASSETS (Continued)

Assumptions were used in the value-in-use calculation for 31 December 2021 and 31 December 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of indefinite-life intangible assets:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budget year, adjusted for expected efficiency adjustments and expected market development.

Discount rates — The discount rates used are the rates of return on investment required by the group.

The growth rates beyond the forecast period — The growth rates beyond the forecast period are the rates of inflation.

The values assigned to key assumptions are consistent with historical experience of the Group and external information sources.

19. INVESTMENTS IN JOINT VENTURES

	2021 RMB'000	2020 RMB'000
Share of net assets	**144,943**	243,722
Goodwill on acquisition	**137,894**	137,894
	282,837	381,616

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	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Fosun Kite Biotechnology Co., Ltd.*	PRC/ Mainland China	USD164,000	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:

	2021 RMB'000	2020 RMB'000
Share of the joint ventures' loss for the year	**(247,388)**	(133,257)
Share of the joint ventures' other comprehensive (loss)/income	**(531)**	585
Share of the joint ventures' total comprehensive loss	**(247,919)**	(132,672)
Aggregate carrying amount of the Group's investments in the joint ventures	**282,837**	381,616

20. INVESTMENTS IN ASSOCIATES

	2021 RMB'000	2020 RMB'000
Share of net assets	**22,079,176**	20,566,789
Goodwill on acquisition	**930,607**	1,627,362
	23,009,783	22,194,151
Provision for impairment	**(665,793)**	(323,185)
	22,343,990	21,870,966

20. INVESTMENTS IN ASSOCIATES (Continued)

Movements in the provisions for impairment of investment in associates are as follows:

2021	At beginning of year RMB'000	Additions RMB'000	Disposals RMB'000	At end of year RMB'000
Provisions for impairment of:				
Sovereign Medical Services, Inc.	194,705	27,952	—	222,657
Amerigen Pharmaceuticals Ltd.	81,355	—	(81,355)	—
EOS Imaging	38,525	—	(38,525)	—
SALADAX	—	129,705	—	129,705
Mingyi Zhonghe Technology (Beijing) Co., Ltd.	—	64,982	—	64,982
Integrated Endoscopy	—	30,097	—	30,097
Others	8,600	209,752	—	218,352
	323,185	462,488	(119,880)	665,793

2020	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.	110,850	83,855	—	194,705
Amerigen Pharmaceuticals Ltd.	81,355	—	—	81,355
EOS Imaging	38,525	—	—	38,525
Qianglong Furniture Co., Ltd.	8,600	—	—	8,600
Others	66,903	—	(66,903)	—
	306,233	83,855	(66,903)	323,185

20. INVESTMENTS IN ASSOCIATES (Continued)

Particulars of the Group's principal associates are as follows:

Company name*	Place of incorporation/ registration and business	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
Sinopharm Industrial Investment Co., Ltd. (國藥產業投資有限公司)	PRC/ Mainland China	RMB100,000	49	—	Manufacture and trading of medicine
Tianjin Pharmaceutical Group Co., Ltd. (天津藥業集團有限公司)	PRC/ Mainland China	RMB674,970	25	—	Manufacture and sale of medicine
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (北京金像復星醫藥股份有限公司)	PRC/ Mainland China	RMB127,418	50	—	Distribution and retail of medicine
Chengde Jingfukang Pharmaceutical Co., Ltd. (頸復康藥業集團有限公司)	PRC/ Mainland China	RMB120,000	—	25	Manufacture and trading of medicine
Nature's Sunshine Products, Inc. ("NSP")@	U.S.A./ U.S.A.	Not applicable	14.47	0.2	Manufacture and trading of nutrition products
Sinopharm medical investment management co., Ltd. (國藥控股醫療投資管理有限公司)	PRC/ Mainland China	RMB1,000,000	45	—	Investment management
New Frontier Health Corporation ("NFH")@	Cayman Islands/ Mainland China	Not applicable	—	7.13	Healthcare services
Fosun Group Finance Corporation Limited ("Fosun Finance")	PRC/ Mainland China	RMB1,500,000	20	—	Advisory on deposits and loans, finance and funding, for Fosun Group member companies
Huaihai Hospital Management (Xuzhou) Co., Ltd. (淮海醫院管理(徐州)有限公司)	PRC/ Mainland China	RMB714,290	—	35	Investment management

* 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 2021.

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:

	2021 RMB'000	2020 RMB'000
Revenue	**521,051,235**	456,414,611
Profit for the year	**13,058,551**	12,106,511
Other comprehensive (loss)/income	**(4,306)**	16,035
Total comprehensive income for the year	**13,054,245**	12,122,546
Profit for the year attributable to owners of the parent of Sinopharm Industrial	**3,906,178**	3,631,793
Current assets	**289,533,207**	266,616,098
Non-current assets	**45,821,744**	44,565,992
Current liabilities	**(219,240,569)**	(203,901,142)
Non-current liabilities	**(16,144,127)**	(17,012,928)
Net assets	**99,970,255**	90,268,020
Net assets attributable to owners of the parent of Sinopharm Industrial	**31,519,471**	28,740,688
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	**15,444,541**	14,082,937
Goodwill on acquisition (less cumulative impairment)	**—**	—
Carrying amount of the investment	**15,444,541**	14,082,937
Dividend received by the Group	**534,100**	464,961

20. INVESTMENTS IN ASSOCIATES (Continued)

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

	2021 RMB'000	2020 RMB'000
Share of the associates' profit/(loss) for the year	**122,498**	(65,987)
Share of the associates' other comprehensive incomes	**67,006**	106,178
Share of the associates' total comprehensive incomes	**189,504**	40,191
Aggregate carrying amount of the Group's investments in the associates	**6,899,449**	7,788,029

21. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 RMB'000	2020 RMB'000
Equity investments designated at fair value through other comprehensive income		
Listed equity investments, at fair value		
Bank of Chongqing	**5,380**	1,043
Sichuan Huiyu Pharmaceutical Co.,Ltd.	**24,536**	—
	29,916	1,043

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 2021, the Group received dividends in the amounts of RMB8,000 (2020: RMB1,554,000). In 2020, the Group sold its equity interest in Maxigen Biotech Inc and Tyto Care Limited. The fair value on the date of sale was RMB93,218,000 and the accumulated losses recognised in other comprehensive income of RMB(78,228,000) were transferred to retained earnings.

22. DEFERRED TAX

The movements in deferred tax assets/(liabilities) during the year are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits RMB'000	Provision for impairment of assets RMB'000	Depreciation and amortisation RMB'000	Accrued expenses RMB'000	Unrealised profit RMB'000	Deferred income RMB'000	Fair value adjustments arising from acquisitions of subsidiaries RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2020	13,044	50,854	1,981	83,570	21,763	72,264	8,705	1,346	253,527
Acquisitions of subsidiaries	—	—	—	—	—	—	3,180	—	3,180
Deferred tax credited/(charged) to the statement of profit or loss during the year	(5,809)	24,233	(794)	21,759	11,101	7,444	(1,251)	1,428	58,111
Gross deferred tax assets at 31 December 2020	7,235	75,087	1,187	105,329	32,864	79,708	10,634	2,774	314,818
Gross deferred tax assets at 1 January 2021	7,235	75,087	1,187	105,329	32,864	79,708	10,634	2,774	314,818
Disposal of subsidiaries *(note 41)*	—	—	—	—	—	—	(7,407)	—	(7,407)
Deferred tax credited/(charged) to the statement of profit or loss during the year	23,924	135	5,352	(9,975)	16,708	(3,072)	5,919	(2,324)	36,667
Deferred tax credited to reserves during the year	1,122	276	—	—	—	—	—	797	2,195
Gross deferred tax assets at 31 December 2021	32,281	75,498	6,539	95,354	49,572	76,636	9,146	1,247	346,273

22. DEFERRED TAX (Continued)

Deferred tax liabilities

	Fair value re-measurements of the remaining equity interest in associates arising from the disposal of subsidiaries and other temporary differences 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	Total RMB'000
Gross deferred tax liabilities at 1 January 2020	—	1,164,520	25,572	63	1,690,274	171,051	3,051,480
Acquisitions of subsidiaries	—	—	—	—	1,214	—	1,214
Deferred tax (credited)/charged to the statement of profit or loss during the year	—	(1,081)	(22,606)	—	(102,693)	67,877	(58,503)
Deferred tax charged to reserves during the year	—	—	—	3	—	—	3
Exchange differences	—	—	—	—	(71,316)	—	(71,316)
Gross deferred tax liabilities at 31 December 2020	—	1,163,439	2,966	66	1,517,479	238,928	2,922,878
Gross deferred tax liabilities at 1 January 2021	—	1,163,439	2,966	66	1,517,479	238,928	2,922,878
Acquisitions of subsidiaries *(note 40)*	—	—	—	—	234,543	—	234,543
Deferred tax (credited)/charged to the statement of profit or loss during the year	194,769	—	(163)	—	(89,159)	(18,597)	86,850
Disposals of subsidiaries *(note 41)*	—	—	—	—	(1,696)	—	(1,696)
Deferred tax charged to reserves during the year	—	—	—	651	—	—	651
Exchange differences	—	—	—	—	(32,796)	—	(32,796)
Gross deferred tax liabilities at 31 December 2021	194,769	1,163,439	2,803	717	1,628,371	220,331	3,210,430

22. DEFERRED TAX (Continued)

Net deferred tax assets and net deferred tax liabilities as at the respective reporting dates are as follows:

	2021		2020	
	Offset amount RMB'000	Net amount RMB'000	Offset amount RMB'000	Net amount RMB'000
Deferred tax assets	80,684	265,589	69,881	244,937
Deferred tax liabilities	80,684	3,129,746	69,881	2,852,997

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:

	2021 RMB'000	2020 RMB'000
Tax losses	6,771,728	6,131,871
Deductible temporary differences	1,393,196	1,177,516
	8,164,924	7,309,387

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

	2021 RMB'000	2020 RMB'000
Trade receivables	77,790	—
Impairment	(395)	—
	77,395	—

24. OTHER NON-CURRENT ASSETS

	2021 RMB'000	2020 RMB'000
Prepayments for purchase of items of property, plant and equipment	**1,160,893**	255,248
Prepayments for acquisitions	**292,667**	4,187
Prepayments for purchase of other intangible assets	**372,431**	466,219
Deposits for purchase of prepaid land lease payments	**7,600**	56,500
Loans to a related party	**—**	188,840
Others	**180,149**	112,730
	2,013,740	1,083,724

Included in the Group's other non-current assets are amounts due from the Group's other related companies of RMB740,194,000 (2020: Nil). The balances were non-interest-bearing and collectible on demand.

25. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	**2,125,698**	1,945,824
Work in progress	**955,653**	889,563
Finished goods	**2,389,222**	2,313,963
Spare parts and consumables	**122,104**	84,670
Others	**43,665**	55,046
	5,636,342	5,289,066
Less: Provision	**(164,027)**	(126,266)
	5,472,315	5,162,800

26. TRADE AND BILLS RECEIVABLES/DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 RMB'000	2020 RMB'000
Trade receivables	**6,029,233**	4,564,659
Bills receivable	**16,227**	242,400
	6,045,460	4,807,059

	2021 RMB'000	2020 RMB'000
Debt investments at fair value through other comprehensive income	**427,884**	628,881

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.

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:

	2021 RMB'000	2020 RMB'000
Within 1 year	**6,050,772**	4,494,796
1 to 2 years	**129,356**	186,530
2 to 3 years	**55,349**	42,506
Over 3 years	**120,136**	121,554
	6,355,613	4,845,386
Less: Loss allowance for impairment	**(326,380)**	(280,727)
	6,029,233	4,564,659

26. TRADE AND BILLS RECEIVABLES/DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

Movements in the loss allowance for impairment of trade receivables are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of year	280,727	222,601
Impairment losses, net	72,455	79,684
Amounts written off as uncollectible	(26,802)	(21,558)
At end of year	326,380	280,727

The increase (2020: increase) in the loss allowance was due to the following significant changes in the gross carrying amount:

(i) Increase in the loss allowance of RMB81,790,000 as a result of an increase in trade receivables which were current and past due for over 1 year (2020: increase in the loss allowance of RMB120,017,000 as a result of an increase in trade receivables which were past due for over 3 months);

(ii) Decrease in the loss allowance of RMB9,335,000 (2020: RMB40,333,000) as a result of the receipt of outstanding trade receivables balances; and

(iii) Decrease in the loss allowance of RMB26,802,000 (2020: RMB21,558,000) as a result of the write-off of certain trade receivables.

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 2021

		Past due				
	Current	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	1.80%	3.90%	100.00%	100.00%	100.00%	5.14%
Gross carrying amount (RMB'000)	5,051,199	1,112,407	42,921	33,487	115,599	6,355,613
Expected credit losses (RMB'000)	90,944	43,429	42,921	33,487	115,599	326,380

As at 31 December 2020

		Past due				
	Current	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	1.70%	3.95%	100.00%	100.00%	100.00%	5.79%
Gross carrying amount (RMB'000)	3,566,769	1,102,192	44,060	68,021	64,344	4,845,386
Expected credit losses (RMB'000)	60,747	43,555	44,060	68,021	64,344	280,727

26. TRADE AND BILLS RECEIVABLES/DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

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 RMB793,967,000 (2020: RMB742,391,000), the Group's joint ventures of RMB5,081,000(2020: RMB3,772,000) and other related companies of RMB8,692,000(2020: RMB1,803,000).There was no bills receivable due from the Group's associates (2020: nil). Included in the Group's debt investments at fair value through other comprehensive income are amounts due from the Group's associates of RMB91,717,000 (2020: RMB222,003,000). These balances due from associates, joint ventures and other related companies were trade in nature, non-interest-bearing and collectible on credit terms similar to those offered to the major customers of the Group.

As at 31 December 2021, trade receivables with a book value of RMB69,444,000 (2020: RMB4,300,000) were used to obtain bank loans. Debt investments at fair value through other comprehensive income with a book value of RMB7,742,000 (2020: Nil) were used to obtain bank loans.

27. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 RMB'000	2020 RMB'000
Advances to suppliers	**1,738,129**	1,495,176
Deposits	**166,938**	113,141
Other receivables	**1,581,667**	967,741
	3,486,734	2,576,058
Impairment allowance	**(20,691)**	(21,893)
	3,466,043	2,554,165

27. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

An ageing analysis of prepayments, other receivables and other assets as at the respective reporting dates, net of loss allowance, is as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year	**2,345,043**	2,416,295
1 to 2 years	**1,068,634**	93,205
2 to 3 years	**31,184**	46,818
Over 3 years	**41,873**	19,740
	3,486,734	2,576,058
Less: Loss allowance for impairment of other receivables	**(20,691)**	(21,893)
	3,466,043	2,554,165

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 2021	**21,893**	**—**	**—**	**21,893**
The balance of 1 January 2021 in this year				
— transfer to the stage 2	**—**	**—**	**—**	**—**
— transfer to the stage 3	**(2,368)**	**—**	**2,368**	**—**
Provision for impairment losses for this year	**1,965**	**—**	**—**	**1,965**
Impairment losses reversed for this year	**(799)**	**—**	**—**	**(799)**
Amounts written off as uncollectible for this year	**—**	**—**	**(2,368)**	**(2,368)**
	20,691	**—**	**—**	**20,691**

27. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

	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 2020	39,144	—	—	39,144
The balance of 1 January 2020 in this year				
— transfer to the stage 2	—	—	—	—
— transfer to the stage 3	(405)	—	405	—
Provision for impairment losses for this year	11,623	—	41,998	53,621
Impairment losses reversed for this year	(28,469)	—	—	(28,469)
Amounts written off as uncollectible for this year	—	—	(42,403)	(42,403)
	21,893	—	—	21,893

Included in the Group's prepayments, other receivables and other assets are amounts due from the Group's associates of RMB108,288,000 (2020: RMB35,333,000), the Group's joint ventures of RMB189,457,000 (2020: RMB301,000) and other related companies of RMB12,617,000 (2020: RMB6,159,000), respectively. These balances were non-interest-bearing and collectible on demand.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Listed equity investments, at fair value	**3,833,062**	1,916,837
Other unlisted investments, at fair value	**1,614,496**	1,514,028
	5,447,558	3,430,865
Current portion	**4,241,069**	1,970,096
Non-current portion	**1,206,489**	1,460,769

The above equity investments at 31 December 2021 and 31 December 2020 were classified as financial assets at fair value through profit or loss as they were held for trading, or as the group has not elected to recognize the fair value gain or loss through other comprehensive income.

29. CASH AND BANK BALANCES

	2021 RMB'000	2020 RMB'000
Cash on hand	**1,737**	1,918
Cash at banks, unrestricted	**5,474,337**	6,875,213
Deposits in Fosun Finance*	**974,576**	447,750
Cash and cash equivalents as stated in the consolidated statement of cash flows	**6,450,650**	7,324,881
Pledged bank balances to secure bills payable	**967,045**	992,703
Term deposits with original maturity of more than three months	**2,890,462**	1,644,218
Cash and bank balances as stated in the consolidated statement of financial position	**10,308,157**	9,961,802

* Fosun Group Finance Corporation Limited ("Fosun Finance") is a licensed financial institution registered with the China Banking Regulatory Commission. Fosun Finance is a subsidiary of Fosun High Tech. Details of the deposits are given in note 46(d) to the financial statements.

As at 31 December 2021, the cash and bank balances of the Group denominated in foreign currencies amounted to RMB4,275,852,000 (2020: RMB4,747,973,000). 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.

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 three years. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. Details of interest earned on deposits in Fosun Finance are set out in note 46(e) to the financial statements.

30. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 23 August 2021, the Company announced its board resolution to dispose the 25.0011% equity interests in Tianjin Pharmaceutical Group Co., Ltd. ("Tianjin Pharmaceutical") to a third party. The consideration of the disposal was RMB1,432,563,000. The transaction of disposal will be completed in three instalments, and 8.3337% of the equity interests in Tianjin Pharmaceutical will be disposed equally. By 31 December 2021, the Company had signed a legally binding transfer agreement and received advance payment amounting to RMB477,521,000 regarding to the disposal consideration of 8.3337% equity interests in Tianjin Pharmaceuticals, which will be completed before December 31, 2022. The Group reclassified the carrying value of 8.3337% equity investment of Tianjin Pharmaceuticals from investments in associates to assets of a disposal group classified as held for sale as at 31 December 2021, accordingly.

On 10 August 2021, Suzhou Industrial Park Jinji Lake Business District Repurchase Office ("蘇州工業園區金雞湖商務區回購辦") signed the "Suzhou Industrial Park Enterprise Land Repurchase Compensation Agreement" with Jisikai (Suzhou) Pharmaceutical Co., Ltd. ("Jisikai Pharma"), to acquire Jisikai Pharma's land and buildings. The total compensation price is RMB181,180,000. According to the agreement, Jisikai Pharma needs to hand over the land and buildings to Jinji Lake Business District Repurchase Office by 30 July 2022. As at 31 December 2021, the Group reclassified the carrying value of property, plant and equipment and prepaid land lease payments to assets of a disposal group classified as held for sale, accordingly.

The carrying value of assets of a disposal group classified as held for sale are presented below:

	2021	2020
	RMB'000	RMB'000
Asset held for sale-Investments in associates	**419,578**	—
Asset held for sale-Property, plant and equipment and prepaid land lease payments	**44,127**	—
	463,705	—

31. TRADE AND BILLS PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables	**4,515,273**	2,942,091
Bills payable	**548,388**	346,930
	5,063,661	3,289,021

Trade and bills payables are non-interest-bearing and are normally settled on a two-month term.

An ageing analysis of the trade payables as at the end of the reporting period is as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year	**4,466,889**	2,881,516
1 to 2 years	**26,002**	44,525
2 to 3 years	**14,949**	8,999
Over 3 years	**7,433**	7,051
	4,515,273	2,942,091

Included in the Group's trade payables are amounts due to the Group's associates, joint ventures and other related companies of RMB286,582,000 (2020: RMB273,991,000), Nil (2020: Nil) and RMB48,705,000 (2020: RMB49,667,000), respectively. These balances due to associates, joint ventures and other related companies were trade in nature, non-interest-bearing and repayable on credit terms similar to those offered by the associates, joint ventures and other related companies to their major customers.

32. OTHER PAYABLES AND ACCRUALS

	Notes	2021 RMB'000	2020 RMB'000
Payables relating to purchases of items of property, plant and equipment		**333,267**	268,082
Deposits received		**510,801**	512,237
Payroll		**1,295,840**	916,179
Value-added tax		**150,965**	170,286
Other taxes		**102,334**	69,017
Accrued interest expenses		**154,892**	198,284
Dividends payable to non-controlling shareholders of subsidiaries and shareholders of the Company		**28,832**	62,036
Other accrued expenses		**2,928,422**	2,772,797
Payables for acquisitions of non-controlling interests, and subsidiaries	(i)	**33,420**	27,144
Loans from third parties	(ii)	**569,915**	393,079
Subscription to restricted shares		**32,917**	61,912
The share redemption option granted to non-controlling shareholders of subsidiaries		**—**	73,503
Advances for equity disposal of associates and subsidiaries		**544,271**	6,000
Other loans from related parties	(iii)	**24,342**	—
Others	(iv)	**317,530**	76,708
		7,027,748	5,607,264
Less: Non-current portion of payables for acquisitions of non-controlling interests and subsidiaries *(note 37)*	(i)	**(7,700)**	(9,700)
		7,020,048	5,597,564

Notes:

(i) The balances as at 31 December 2021 mainly represent the cash considerations for the acquisitions of Anhui Jimin Hospital Management, Yiyanyun, ,Guangji Hospital and Xingyuanda Medical Technology of RMB20,100,000, RMB4,500,000, RMB7,700,000 and RMB1,120,000 respectively. The non-current portion of payables for acquisitions of the non-controlling interests and subsidiaries as at 31 December 2021 mainly consists of the non-current portion of unpaid cash considerations of RMB7,700,000 for the acquisitions of equity interests in Guangji Hospital, respectively, which will be paid after 12 months.

(ii) Loans from third parties of RMB569,915,000 as at 31 December 2021 (2020: RMB393,079,000) bear no interest (2020: Nil) and are repayable on demand.

(iii) Included in the Group's other loans from related parties are amounts due to the Group's other related companies of RMB24,342,000 (2020: Nil). The annual interest rate is 4.35%. The loan period is from 19 October 2021 to 18 October 2022.

(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 RMB8,963,000 (2020: RMB1,750,000), RMB14,358,000 (2020: RMB9,439,000) and RMB8,649,000 (2020: RMB27,064,000), respectively. These balances were non-interest-bearing and repayable on demand.

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2021			31 December 2020		
	Effective Interest rate (%)	Maturity	RMB'000	Effective Interest rate (%)	Maturity	RMB'000
Current						
Bank loans — unsecured	0.37–5.00	2022	9,116,853	0.50–4.57	2021	7,720,173
Bank loans — secured *(note (a))*	1.00–5.35	2022	268,877	2.69–4.35	2021	189,173
Ultra-short-term financial bills *(note (b))*	2.60	2022	1,200,000	—	—	—
Current portion of long term bank loans — unsecured	0.30–6.00	2022	3,427,358	0.30–6.20	2021	1,182,891
bank loans — secured *(note (a))*	2.73–4.50	2022	115,788	2.77–4.50	2021	106,403
Corporate bonds — unsecured	3.48–3.83	2022	1,331,367	4.50–5.10	2021	5,290,306
			15,460,243			14,488,946
Non-current						
Bank loans — unsecured	0.30–5.27	2023–2030	5,676,214	0.30–5.27	2022–2029	6,346,829
Bank loans — secured *(note (a))*	3.98–4.55	2023–2030	1,017,969	3.98–4.55	2022–2030	799,055
			6,694,183			7,145,884
Corporate bonds *(note (b))*	3.40–3.98	2023–2025	2,354,886	4.47–4.50	2022–2023	1,329,801
			9,049,069			8,475,685
			24,509,312			22,964,631

33. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	2021 RMB'000	2020 RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**12,928,876**	9,198,640
In the second year	**4,119,205**	6,213,132
In the third to fifth years, inclusive	**189,055**	256,387
Beyond five years	**2,385,923**	676,365
	19,623,059	16,344,524
Other borrowings repayable:		
Within one year	**2,531,367**	5,290,306
In the second year	**756,300**	1,329,801
In the third to fifth years, inclusive	**1,598,586**	—
	4,886,253	6,620,107
	24,509,312	22,964,631

33. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Foreign currency loans

	2021 RMB'000	2020 RMB'000
USD:		
Secured	—	—
Unsecured	4,644,421	6,000,520
	4,644,421	6,000,520
EUR:		
Secured	—	—
Unsecured	2,591,742	1,935,074
	2,591,742	1,935,074
SEK:		
Secured	16,656	22,592
Unsecured	—	15,120
	16,656	37,712
TWD:		
Secured	—	7,891
Unsecured	1,842	—
	1,842	7,891
CHF:		
Secured	—	—
Unsecured	127,509	—
	127,509	—

33. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Foreign currency loans (Continued)

Notes:

(a) Certain of the Group's bank loans are secured by:

(i) mortgages over the Group's buildings, which had a net carrying value at the end of the reporting period of approximately RMB185,956,000 (2020: RMB188,426,000);

(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 RMB513,993,000 (2020: RMB528,904,000);

(iii) mortgages over the Group's construction in progress, which had a net carrying value at the end of the reporting period of approximately RMB364,084,000 (2020: Nil);

(iv) pledges of certain of the Group's trade receivables totalling RMB69,444,000 (2020: RMB4,300,000);

(v) pledges of certain of the Group's other receivables totalling RMB8,296,000 (2020: RMB5,305,000);

(vi) pledges of certain of the Group's bank acceptance bill totalling RMB7,742,000 (2020: Nil);

(vii) a guarantee provided by Fosun International Limited and the Company for Fosun Medical Holding AB, a subsidiary of the Company, to obtain loans at respective proportion of shares;

(viii) 58.67% equity of its subsidiary Suzhou Baidao Medical Technology Co., Ltd. (2020: Nil).

(b) On 18 September 2021, the Company issued corporate Ultra-short-term financial bills in an aggregate amount of RMB1,200,000,000, which bear interest at 2.60% per annum. Interest is payable in arrears on maturity.

On 14 March 2017, the Company issued corporate bonds with a maturity of five years in an aggregate amount of RMB1,250,000,000, which bear interest at 3.48% per annum. Interest is payable annually in arrears and the maturity date is 14 March 2022, the corporate bonds were present as current liabilities as at 31 December 2021.

On 13 August 2018, the Company issued corporate bonds with a maturity of five years in an aggregate amount of RMB1,300,000,000, which bear interest at 3.50% per annum. Interest is payable annually in arrears and the maturity date is 13 August 2023.

On 30 November 2018, the Company issued corporate bonds with a maturity of four years in an aggregate amount of RMB500,000,000, which bear interest at 3.83% per annum. Interest is payable annually in arrears and the maturity date is 30 November 2022, the corporate bonds were present as current liabilities as at 31 December 2021.

On 30 November 2018, the Company issued corporate bonds with a maturity of five years in an aggregate amount of RMB1,000,000,000, which bear interest at 3.40% per annum. Interest is payable annually in arrears and the maturity date is 30 November 2023.

On 2 February 2021, the Company issued corporate bonds with a maturity of four years in an aggregate amount of RMB1,600,000,000, which bear interest at 3.98% per annum. Interest is payable annually in arrears and the maturity date is 2 February 2025.

34. LEASE LIABILITIES

	31 December 2021			31 December 2020		
	Effective Interest rate (%)	Maturity	RMB'000	Effective Interest rate (%)	Maturity	RMB'000
Current						
Lease liability	weighted average 4.72	2022	141,496	weighted average 4.72	2021	151,084
Non-current						
Lease liability	weighted average 4.72	2022–2038	648,360	weighted average 4.72	2021–2038	627,291
			789,856			778,375

	2021 RMB'000	2020 RMB'000
Analysed into:		
Lease liabilities:		
Within one year	141,496	151,084
In the second year	191,105	258,164
In the third to fifth years, inclusive	285,310	291,690
Beyond five years	171,945	77,437
	789,856	778,375

35. CONTRACT LIABILITIES

Details of contract liabilities as at 31 December 2021 are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Warranty services	**56,923**	50,138
Advances from customers	**1,332,362**	1,091,883
Total contract liabilities	**1,389,285**	1,142,021
Current portion	**1,150,274**	1,020,309
Non-current portion	**239,011**	121,712

Contract liabilities include advances received to deliver products and warranty services. The increase in contract liabilities in 2021 was mainly due to the increase in advances received from customers at the end of the year.

Included in the Group's contract liabilities are amounts due to the Group's associates, joint ventures and other related companies of RMB14,715,000 (2020: RMB24,796,000), Nil (2020: RMB8,000) and RMB199,000 (2020: RMB14,514,000), respectively. These balances were non-interest-bearing and repayable on demand.

36. DEFERRED INCOME

	Notes	2021 RMB'000	2020 RMB'000
Government grants	*(i)*	**512,806**	482,201

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:

	2021 RMB'000	2020 RMB'000
At 1 January	**482,201**	420,096
Additions	**125,242**	127,538
Recognised as income during the year	**(85,399)**	(65,433)
Others	**(9,238)**	—
At 31 December	**512,806**	482,201

37. OTHER LONG-TERM LIABILITIES

	Notes	2021 RMB'000	2020 RMB'000
Staff placement fees	(i)	**25,696**	24,997
Payables for acquisitions of non-controlling interests and subsidiaries	(ii)	**7,700**	9,700
Share redemption option granted to non-controlling shareholders of subsidiaries	(iii)	**1,498,957**	—
Long-term employee payable		**54,425**	—
Others		**442,509**	234,791
		2,029,287	269,488

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 2021 mainly represent the non-current portion of unpaid cash considerations of RMB7,700,000 for the acquisitions of non-controlling interests in Guangji Hospital, respectively, which will be paid after 12 months (note 32(i)).

(iii) The share redemption option granted to non-controlling shareholders of Antejin and Suzhou Baidao represented the liability of the Group to acquire the non-controlling interests owned by the non-controlling shareholders as at 31 December 2021.

38. SHARE CAPITAL

	2021		2020	
	Number of shares '000	Nominal value RMB'000	Number of shares '000	Nominal value RMB'000
Shares				
Unrestricted shares				
A Shares of RMB1 each	**2,010,958**	**2,010,958**	2,010,958	2,010,958
H Shares of RMB1 each	**551,941**	**551,941**	551,941	551,941
	2,562,899	**2,562,899**	2,562,899	2,562,899

38. SHARE CAPITAL (Continued)

Movements in the issued share capital during the year were as follows:

	2021		2020	
	Number of shares '000	Nominal value RMB'000	Number of shares '000	Nominal value RMB'000
At 31 December and At 1 January	2,562,899	2,562,899	2,562,899	2,562,899

39. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity on pages 183 to 184 of the financial statements.

Statutory surplus reserve

According to the relevant PRC regulations and the articles of association of the Company in the PRC, the Company is required to transfer 10% of its profit after income tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of dividends to equity owners. The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital/issued share capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of its registered capital. This reserve is non-distributable other than in liquidation.

40. BUSINESS COMBINATIONS

The major acquisitions of subsidiaries accounted for as business combinations are set out as follows:

On 29 March 2021, Shenzhen Hengsheng Hospital, a subsidiary of the Company, acquired 100% equity interests in Shenzhen Xinsheng Pharmaceutical Co., Ltd.* (深圳信生藥業有限公司) ("Shenzhen Xinsheng") from a third party. The consideration for the acquisition was RMB3,450,000. After the acquisition, the Group holds 100% equity interests in Shenzhen Xinsheng. The Group determined that the acquisition date of this transaction was 29 March 2021, and Shenzhen Xinsheng was included in the scope of consolidation from 29 March 2021.

On 15 April 2021, Shanghai Fosun Medical System Co., Ltd., a subsidiary of the Company, acquired 70% equity interests in Shanghai Xingyuanda Medical Technology Co., Ltd.* (上海星苑達醫療科技有限公司) ("Shanghai Xingyuanda") from a third party. The consideration for the acquisition was RMB22,400,000. After the acquisition, the Group holds 70% equity interests in Shanghai Xingyuanda. The Group determined that the acquisition date of this transaction was 15 April 2021, and Shanghai Xingyuanda was included in the scope of consolidation from 15 April 2021.

On 20 August 2021, Fosun Diagnostic Technology (Shanghai) Co., Ltd., a subsidiary of the Company, acquired 44.2944% equity interests in Suzhou Baidao* (蘇州百道醫療科技有限公司) from third parties for a consideration of RMB101,881,000. At the same time, Fosun Diagnostic Technology (Shanghai) Co., Ltd contributed RMB80,000,000 in cash to subscribe for the newly increased registered capital of Suzhou Baidao of the par value amounting to RMB3,304,273. After the acquisition, the Group holds 58.6702% equity interests in Suzhou Baidao. The Group determined that the acquisition date of this transaction was 10 November 2021, and Suzhou Baidao was included in the scope of consolidation from 10 November 2021.

On 26 October 2021, Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd., a subsidiary of the Company, acquired 13.01% equity interests in Antejin* (復星安特金(成都)生物製藥有限公司) from third parties for a consideration of RMB1,108,034,000. At the same time, 100% equity interests in Dalian Aleph, a subsidiary held by the Group, was injected to Antejin to increase the registered capital of Antejin, which accounted for 60% of the total registered capital of Antejin. After the acquisition, the Group holds 73.01% equity interests in Antejin. The Group determined that the acquisition date of this transaction was 28 October 2021, and Antejin was included in the scope of consolidation from 28 October 2021.

* 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.

The Group has elected to measure the non-controlling interests in all the subsidiaries acquired at the non-controlling interests' proportionate share of the acquired subsidiaries' identifiable net assets.

40. BUSINESS COMBINATIONS (Continued)

The fair values of the identifiable assets and liabilities of all the subsidiaries acquired as at the dates of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** RMB'000
Property, plant and equipment	15	291,460
Right-of-use assets	16	25,430
Other intangible assets	18	1,373,843
Other non-current assets		4,726
Inventories		18,564
Trade and bills receivables		8,289
Prepayments, other receivables and other assets		65,587
Cash and cash equivalents		142,657
Interest-bearing bank and other borrowings-current		(34,972)
Trade and bills payables		(29,550)
Other payables and accruals		(11,600)
Lease liabilities — current		(419)
Contract liabilities		(26,885)
Deferred tax liabilities	22	(234,543)
Deferred income		(8,271)
Interest-bearing bank and other borrowings — non current		(65,000)
Lease liabilities — non current		(892)
Total identifiable net assets at fair value		1,518,424
Non-controlling interests		(444,731)
		1,073,693
Goodwill		1,024,242
		2,097,935
Satisfied by:		
Cash consideration paid in 2021		1,296,595
Cash consideration paid in 2020		700
Cash consideration payable		18,470
Fair value of equity investments traded In acquisition		782,170
		2,097,935

The fair values of trade and bills receivables and other receivables as at the dates of acquisitions amounted to RMB8,289,000 and RMB52,588,000, respectively.

40. BUSINESS COMBINATIONS (Continued)

An analysis of the cash flows in respect of the acquisitions of subsidiaries is as follows:

	RMB'000
Cash consideration paid	(1,296,595)
Capital contribution in cash to Suzhou Baidao after the acquisition date	30,000
Cash and cash equivalents acquired	142,657
	(1,123,938)
Payment of unpaid cash consideration as at 31 December 2020	(21,021)
Prepayment of cash consideration for acquisition not yet Incorporated into mergers as at 31 December 2021	(161,840)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(1,306,799)

Since the acquisitions, the acquired subsidiaries contributed RMB13,545,000 to the Group's revenue and RMB23,036,000 to the Group's loss after tax for the year ended 31 December 2021.

Had the combinations taken place at the beginning of the year ended 31 December 2021, the revenue and the profit after tax of the Group for the year ended 31 December 2021 would have been RMB38,881,273,000 and RMB4,917,958,000 respectively.

41. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2021, the Group entered into equity interest transfer agreements with third parties to dispose of 100% of equity interests in Far-Eastern Casing Foodstuff Co.,Ltd.* (遠東腸衣食品有限公司) for a consideration of RMB3,540,000. This subsidiary would not be included in the consolidated financial statements of the Group hereafter.

During the year ended 31 December 2021, the Group entered into equity interest transfer agreements with third parties to dispose of 75% of equity interests in Taizhou Zhedong Medical Care Investment Management Co., Ltd.* (台州市立浙東醫養投資管理有限公司) for a consideration of RMB531,467,000. This subsidiary would not be included in the consolidated financial statements of the Group hereafter.

During the year ended 31 December 2021, the Company's subsidiary Chancheng Hospital, Fosun Health Group, Foshan ChanXi Real Estate Development Co., Ltd. ("Foshan ChanXi") and Shanghai Yuyuan Tourism Mart (Group) Co., Ltd. ("Yuyuan Garden"), the Company's related party, signed a contract of equity and debt transfer of Foshan ChanXi. It was agreed that Chancheng Hospital and Fosun Health Group transferred 100% of their equity interests in Foshan Chanxi and creditor's rights as at 31 December 2020 to Yuyuan Garden (or its subsidiary appointed). The total consideration of the transfer of RMB550,000,000 was determined based on the appraisal results of the value of equity and creditor's rights as stated in the asset appraisal report (Dazheng pingbao Zi (2021) No. 100A) dated 31 March 2021, of which, the consideration for the equity transfer amounted to RMB176,113,000 and the consideration for creditor's rights amounted to RMB373,887,000. The transaction was completed in May 2021. After the transfer, the Group no longer held the equity of Foshan Chanxi. This subsidiary would not be included in the consolidated financial statements of the Group hereafter.

During the year ended 31 December 2021, the Company signed the Agreement on Equity Transfer and Capital Increase with Yaneng Biotechnology (Shenzhen) Co., Ltd.* ("亞能生物技術(深圳)有限公司"), the existing shareholders of Yaneng Biotechnology (Shenzhen) Co., Ltd. and Yaneng Bioscience (HK) Limited. As stipulated in the agreement, (1) the existing shareholders of Yaneng Biotechnology (Shenzhen) Co., Ltd. intended to transfer their interests in Yaneng Biotechnology (Shenzhen) Co., Ltd. to Yaneng Bioscience (HK) Limited for a total consideration of RMB2,203,987,500; and (2) Yaneng Bioscience (HK) Limited contributed RMB300,000,000 to subscribe for the newly increased registered capital of Yaneng Biotechnology (Shenzhen) Co., Ltd. of HK$634,624. The Group also agreed to transfer 29.0200% of its equity interests in Yaneng Biotechnology (Shenzhen) Co., Ltd. to Yaneng Bioscience (HK) Limited and 100% of its equity interests in Jinshi Medical Laboratory ("深圳金石醫學檢驗實驗室") to the entity jointly designated by Yaneng Bioscience (HK) Limited and Yaneng Biotechnology (Shenzhen) Co., Ltd. at a total consideration of RMB1,596,100,000. The transfer was completed on 23 December 2021. Upon completion, the Group holds 19.9976% equity interests in Yaneng Biotechnology (Shenzhen) Co., Ltd., which would not be accounted for as a subsidiary in the consolidated financial statements of the Group hereafter.

* The English names of the companies registered in the PRC represent the best efforts made by the management of the Company in directly translating the Chinese names of these companies.

41. DISPOSAL OF SUBSIDIARIES (Continued)

The financial information of above subsidiaries at the date of disposal is as follows:

	Notes	2021 RMB'000	2020 RMB'000
Net assets disposed of:			
Property, plant and equipment	15	**1,544,398**	43,508
Right-of-use assets	16	**196,212**	68,129
Other intangible assets	18	**6,767**	8
Deferred tax assets		**7,407**	—
Other non-current assets		**1,483**	—
Inventory		**109,184**	917
Trade and bills receivables		**179,257**	—
Prepayments, other receivables and other assets		**113,512**	3,514
Cash and cash equivalents		**363,517**	158,897
Trade and bills payables		**(29,469)**	(490)
Other payables and accruals		**(916,245)**	(302)
Contract liabilities		**(171,955)**	—
Tax payable		**(14,432)**	—
Interest-bearing bank and other borrowings — non current		**(107,438)**	—
Deferred tax liabilities		**(1,696)**	—
Deferred income		**(4,655)**	—
		1,275,847	274,181
Non-controlling interests		**(409,304)**	(109,827)
Goodwill		**24,241**	—
Gain on disposal of a subsidiary	7	**2,013,109**	8,146
Fair value of remaining investment		**(596,673)**	—
		2,307,220	172,500
Satisfied by:			
Cash consideration received		**1,988,000**	172,500

41. DISPOSAL OF SUBSIDIARIES (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2021 RMB'000	2020 RMB'000
Cash consideration	1,988,000	172,500
Cash and bank balances disposed of	(363,517)	(158,897)
Cash consideration received in advance for disposal of subsidiaries	63,750	—
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	1,688,233	13,603

42. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

2021

	Bank and other loans RMB'000	Lease liabilities RMB'000	Loans from third parties included in other payables and accruals RMB'000	Interest payable RMB'000
At 1 January 2021	22,964,631	778,375	393,079	198,284
Changes from financing cash flows	1,632,476	(166,879)	176,836	—
New leases	—	198,974	—	—
Covid-19-related rent recessions from lessors	—	(60)	—	—
Lease termination	—	(40,822)	—	—
Interest paid	—	—	—	(810,802)
Foreign exchange movement	(81,597)	(8,879)	—	(50,501)
Interest expense	1,268	27,836	—	793,430
Increase arising from acquisition of subsidiaries	99,972	1,311	—	—
Decrease arising from disposal of subsidiaries	(107,438)	—	—	—
Interests capitalised under construction in progress	—	—	—	24,481
At 31 December 2021	24,509,312	789,856	569,915	154,892

42. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Changes in liabilities arising from financing activities (Continued)

2020

	Bank and other loans RMB'000	Lease liabilities RMB'000	Loans from third parties included in other payables and accruals RMB'000	Interest payable RMB'000
At 1 January 2020	21,137,109	553,974	263,939	216,562
Changes from financing cash flows	2,308,286	(194,632)	129,140	—
New leases	—	424,300	—	—
Covid-19-related rent recessions from lessors	—	(6,548)	—	—
Lease termination	—	(26,079)	—	—
Interest paid	—	—	—	(810,164)
Foreign exchange movement	(485,383)	(2,464)	—	(57,651)
Interest expense	4,619	29,824	—	832,992
Interests capitalised under construction in progress	—	—	—	16,545
At 31 December 2020	22,964,631	778,375	393,079	198,284

(b) Total cash outflow for leases

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

	2021 RMB'000
Within operating activities	46,129
Within financing activities	166,879
	213,008

43. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2021	2020
Percentage of equity interest held by non-controlling interests:		
Gland Pharma	**42.00%**	41.64%

	2021 RMB'000	2020 RMB'000
Profit for the year allocated to non-controlling interests:		
Gland Pharma	**369,642**	193,058

	2021 RMB'000	2020 RMB'000
Accumulated balances of non-controlling interests at the reporting date:		
Gland Pharma	**3,088,443**	2,815,124

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	2021 RMB'000	2020 RMB'000
Revenue	**3,658,077**	3,025,864
Total expenses	**(286,736)**	(343,075)
Profit for the year	**879,443**	719,396
Total comprehensive income for the year	**650,759**	202,189
Current assets	**4,813,905**	4,380,773
Non-current assets	**3,632,713**	3,522,836
Current liabilities	**(466,622)**	(502,426)
Non- current liabilities	**(568,421)**	(640,364)
Net cash flows from operating activities	**712,607**	594,703
Net cash flows used in investing activities	**(734,059)**	(1,146,813)
Net cash flows from financing activities	**49,765**	1,093,695
Net increase in cash and cash equivalents	**28,313**	541,585

44. SHARE-BASED PAYMENTS

(a) Subsidiaries' share-based payments

As at 14 April 2018, approved by the second extraordinary general meeting of Henlius, 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, Henlius 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, Henlius 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. Henlius recognised an amount of RMB53,490,000 as related expenses for the year ended 31 December 2021 (2020: RMB46,050,000).

As at 27 June 2019, Gland, a subsidiary of the Company, passed a share incentive scheme and granted 154,650 restricted shares to eligible participants at a price of equivalent RMB540 per share. On 17 March 2020, Gland Pharma subdivided its shares into ten shares for each issued share. After the completion of subdivision, adjustment was made in accordance with the terms of the Gland Pharma Share Option Incentive Scheme for the exercise of the outstanding options and the number of Gland Pharma shares that options might be placed and issued upon exercise of all outstanding options. Gland recognised an amount of RMB8,901,000 as related expenses for the year ended 31 December 2021 (2020: RMB19,490,000).

As at 30 November 2021, and at 2 December 2021, Sisram, a subsidiary of the Company, granted 4,699,550 restricted shares to eligible participants. Sisram recognised an amount of RMB1,895,000 as related expenses for the year ended 31 December 2021 (2020: Nil).

45. COMMITMENTS

The Group had the following capital commitments as at 31 December 2021:

	2021 RMB'000	2020 RMB'000
Contracted, but not provided for:		
Prepared land lease payments, plant and machinery	**2,127,421**	2,672,447
Investments in a subsidiary and associates	**2,066,497**	807,635
Investments in financial assets at fair value through profit or loss	**451,933**	342,798
Authorized, but not signed:		
Prepaid land lease payments, plant and machinery	**3,128,531**	4,003,225
	7,774,382	7,826,105

46. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere, the Group had the following transactions with related parties during the year:

(a) Sales of products and rendering of services

	2021 RMB'000	2020 RMB'000
Sinopharm Group Co., Ltd. and its subsidiaries *(notes 4 & 7 & 9)*	**3,867,860**	2,980,593
C.Q. pharmaceutical Holding Co., Ltd. and its subsidiaries *(notes 1 & 7 & 11)*	**749,624**	457,304
Shanghai Lingjian Information Technology Co., Ltd. *(notes 1 & 7)*	**17,131**	11,992
Suzhou Fund *(notes 1 & 7 & 11)*	**9,916**	3,407
Shanghai Fosun Public Welfare Foundation *(notes 3 & 7)*	**8,912**	85,459
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development *(notes 2 & 7)*	**8,605**	1,575
Fosun International Limited and its subsidiaries *(notes 6 & 7 & 11 & 12)*	**7,312**	117,801
Tianjin Fund *(notes 1 & 7 & 11)*	**5,126**	2,202
Fosun Kite Biological Technology Co., Ltd. *(notes 2 & 7)*	**4,607**	4,617
New Frontier Health Corporation and its subsidiaries. *(notes 1 & 7)*	**2,711**	2,083
Jingfukang Pharmaceutical Group Co., Ltd. *(notes 1 & 7)*	**2,190**	3,008
StarKids Children's Hospital Shanghai *(notes 1 & 7)*	**1,490**	8
Shanghai Diai Medical Instrument Co., Ltd. *(notes 1 & 7)*	**734**	3,246
Gland Chemicals Pvt Ltd. *(notes 3 & 7)*	**146**	6,229
Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd. *(notes 1 & 7)*	**60**	153,284
Shanghai Xingmai Information Technology Co., Ltd. *(notes 1 & 7 & 11)*	**59**	38
Tongde Equity Investment and Management (Shanghai) Co., Ltd. *(notes 5 & 7)*	**53**	35
Shanghai Xingming Youjian Biotechnology Co., Ltd. *(notes 3 & 7)*	**9**	—
Shanghai Xingyao Kunze Biopharmaceutical Co., Ltd. *(notes 3 & 7)*	**9**	—
Shanghai Fosun Bund Property Co., Ltd. *(notes 3 & 7)*	**4**	24
Fosun Nanfeng (Shenzhen) Medical Technology Co., Ltd. *(notes 2 & 7)*	**1**	—
Intuitive Surgical-Fosun (Hongkong) Co., Ltd. *(notes 1 & 7)*	**—**	177,954
Huaihai Hospital Management Co., Ltd. *(notes 1 & 7)*	**—**	9,292
Zhejiang Di'an Diagnostics Co., Ltd. and its subsidiaries *(notes 3 & 7)*	**—**	7,036
KOLLER FORMENBAU GMBH *(notes 3 & 7)*	**—**	3,595
Shanghai Xingyao Medical Technology Development Co., Ltd. *(notes 7 & 18)*	**—**	1,612
Fosun United Health Insurance Company Ltd. *(notes 3 & 7)*	**—**	56
	4,686,559	4,032,450

46. RELATED PARTY TRANSACTIONS (Continued)

(b) Purchases of products and services

	2021 RMB'000	2020 RMB'000
Sinopharm Group Co., Ltd. and its subsidiaries *(notes 4 & 7 & 9)*	**372,963**	304,213
C.Q. pharmaceutical Holding Co., Ltd. and its subsidiaries *(notes 1 & 7 & 11)*	**157,315**	28,323
Gland Chemicals Pvt Ltd. *(notes 3 & 7)*	**81,420**	124,864
Fosun International Limited and its subsidiaries *(notes 6 & 7 & 11 & 13)*	**38,981**	241,806
Saladax Biomedical, Inc. *(notes 1 & 7)*	**12,041**	7,465
Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd. *(notes 1 & 7)*	**10,601**	—
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development *(notes 2 & 7)*	**4,717**	—
Fosun United Health Insurance Company Ltd. *(notes 3 & 7)*	**2,955**	229
Tongde Equity Investment and Management (Shanghai) Co., Ltd. *(notes 5 & 7)*	**2,214**	—
SINNOWA Medical Science & Technology Co., Ltd. *(notes 1 & 7)*	**1,937**	2,281
Anhui Sunhere Pharmaceuticals Excipients Co., Ltd. *(notes 1 & 7)*	**1,555**	2,243
Huaihai Hospital Management Co., Ltd. *(notes 1 & 7)*	**105**	—
Shanghai Lingjian Information Technology Co., Ltd. *(notes 1 & 7)*	**58**	58
Shanghai Xingyao Medical Technology Development Co., Ltd. *(notes 7 & 18)*	**—**	907
Zhejiang Di'an Diagnostics Co., Ltd. and its subsidiaries *(notes 3 & 7)*	**—**	510
	686,862	712,899

46. RELATED PARTY TRANSACTIONS (Continued)

(c) Leasing and property management services

As lessor

	2021 RMB'000	2020 RMB'000
Fosun Kite Biological Technology Co., Ltd. *(notes 2 & 8)*	**10,135**	9,451
Fosun International Limited and its subsidiaries *(notes 6 & 8 & 11 & 14)*	**2,906**	5,715
Shanghai Xingmai Information Technology Co., Ltd. *(notes 1 & 8 & 11)*	**1,466**	1,466
Tongde Equity Investment and Management (Shanghai) Co., Ltd. *(notes 5 & 8)*	**942**	942
New Frontier Health Corporation and its subsidiaries. *(notes 1 & 8)*	**333**	630
Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd. *(notes 1 & 8)*	**264**	290
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development *(notes 2 & 8)*	**252**	539
Shanghai Xingyao Medical Technology Development Co., Ltd. *(notes 8 & 18)*	**—**	578
StarKids Children's Hospital Shanghai *(notes 1 & 8)*	**—**	119
	16,298	19,730

As lessee

	2021 RMB'000	2020 RMB'000
Fosun International Limited and its subsidiaries *(notes 6 & 8 & 11 & 15)*	**15,038**	6,467
Shanghai Fosun Bund Property Co., Ltd. *(notes 3 & 8)*	**7,571**	—
Dhananjaya Properties LLP *(notes 3 & 8)*	**225**	229
Sasikala Properties LLP *(notes 3 & 8)*	**82**	84
Mrs. K. Jhansi Lakshmi *(notes 3 & 8)*	**80**	—
	22,996	6,780

46. RELATED PARTY TRANSACTIONS (Continued)

(c) Leasing and property management services (Continued)

Management services

	2021 RMB'000	2020 RMB'000
Subsidiaries of Fosun International Limited *(notes 6 & 8 & 11 & 16)*	**12,344**	7,904

(d) Loans from/to related parties

Maximum daily outstanding balance of deposits in Fosun Finance

	2021 RMB'000	2020 RMB'000
Fosun Group Finance Corporation Limited *(notes 10 & 11)*	**993,249**	979,619

The Company entered into a financial service agreement with Fosun Finance, pursuant to which Fosun Finance shall provide financial services to the Company and its subsidiaries, including deposit service, credit service, settlement service and other financial services as approved by the China Banking Regulatory Commission for the period from 1 January 2020 to 31 December 2022. The maximum daily outstanding balance of deposits placed by the Group with Fosun Finance is RMB1,000,000,000. The maximum daily outstanding balance of the loans granted by Fosun Finance to the Group is RMB1,000,000,000.

Loans to Fosun Kite Biological Technology Co., Ltd.

	2021 RMB'000	2020 RMB'000
Fosun Kite Biological Technology Co., Ltd. *(note 2)*	**188,840**	188,840

Shanghai Fosun Pharmaceutical Development Co., Ltd. provided a five-year loan of RMB188,840,000 to Fosun Kite Biological Technology Co., Ltd. The interest rate is 10% higher than the benchmark interest rate for the same period. Among them, RMB33,781,000 is from 12 October 2017 to 12 October 2022, RMB33,781,000 is from 5 February 2018 to 12 October 2022, RMB50,395,000 is from 15 May 2019 to 15 May 2022, RMB70,883,000 is from 17 October 2019 to 16 October 2022.

Loans to Nature's Sunshine (Far East) Limited

	2021 RMB'000	2020 RMB'000
Nature's Sunshine (Far East) Limited *(note 1)*	**1,927**	7,898

Fosun Industrial Co., Ltd. provided a one-year loan at RMB1,927,000 to Nature's Sunshine (Far East) Limited. The annual interest rate is 3%. The loan period is from 2 October 2021 to 2 October 2022.

46. RELATED PARTY TRANSACTIONS (Continued)

(d) Loans from/to related parties (Continued)

Loans to StarKids Children's Hospital Shanghai

	2021 RMB'000	2020 RMB'000
StarKids Children's Hospital Shanghai *(notes 1 & 8)*	9,385	—

Shanghai Fuer Yixing Hospital Management Co., Ltd. provided a loan at RMB9,385,000 to StarKids Children's Hospital Shanghai. The annual interest rate is the benchmark LPR interest rate for the same period.

Loans to Shanghai Xingmai Information Technology Co., Ltd.

	2021 RMB'000	2020 RMB'000
Shanghai Xingmai Information Technology Co., Ltd. *(notes 1 & 8 & 11)*	73,264	—

Shanghai Fosun Pharmaceutical Development Co., Ltd. provided a loan at RMB73,264,000 to Shanghai Xingmai Information Technology Co., Ltd. The annual interest rate is 10%. The loan period is from 29 September 2021 to 29 September 2022.

Loans from Shanghai Youle Information Technology Co., Ltd.

	2021 RMB'000	2020 RMB'000
Shanghai Youle Information Technology Co., Ltd. *(note 3)*	5,532	—

Shanghai Youle Information Technology Co., Ltd. provided a loan at RMB5,532,000 to Fosun Health Technology (Shenzhen) Co., Ltd. The annual interest rate is 4.35%. The loan period is from 19 October 2021 to 18 October 2022.

Loans from Shanghai Fosun High Tech (Group) Company limited

	2021 RMB'000	2020 RMB'000
Shanghai Fosun High Tech (Group) Company limited *(note 6)*	18,810	—

Shanghai Fosun High Tech (Group) Company limited provided a loan at RMB18,810,000 to Fosun Health Technology (Shenzhen) Co., Ltd. The annual interest rate is 4.35%. The loan period is from 19 October 2021 to 18 October 2022.

46. RELATED PARTY TRANSACTIONS (Continued)

(e) Interest income from related parties

	2021 RMB'000	2020 RMB'000
Fosun Kite Biological Technology Co., Ltd. *(note 2)*	**9,438**	9,467
Fosun Group Finance Corporation Limited *(notes 10 & 11)*	**8,602**	4,707
Shanghai Xingmai Information Technology Co., Ltd. *(notes 1 & 11)*	**1,864**	—
StarKids Children's Hospital Shanghai *(note 1)*	**251**	—
Nature's Sunshine (Far East) Limited *(note 1)*	**168**	288
	20,323	14,462

The interest rate for deposits in Fosun Finance is made reference to the benchmark interest rates on deposits issued by the People's Bank of China ("PBOC"), and is no less than the higher of (i) the interest rate payable to the Group by the domestic commercial banks; and (ii) that to others by Fosun Finance for the deposit service with similar terms and amounts.

(f) Interest expense to related parties

	2021 RMB'000	2020 RMB'000
Fosun Group Finance Corporation Limited *(notes 10 & 11)*	**4,178**	2,351
Shanghai Fosun High Tech (Group) Company limited *(note 6)*	**136**	—
Shanghai Youle Information Technology Co., Ltd. *(note 3)*	**40**	—
	4,354	2,351

46. RELATED PARTY TRANSACTIONS (Continued)

(g) Commitments with related parties

As lessor

As at 31 December 2021, the Group had total future minimum lease receivables under non-cancellable operating leases with its related parties falling due as follows:

	2021 RMB'000	2020 RMB'000
Fosun Kite Biological Technology Co., Ltd. *(note 2)*	**18,481**	20,153
Subsidiaries of Fosun International *(note 6)*	**2,898**	12,320
Shanghai Xingmai Information Technology Co., Ltd. *(note 1)*	**1,462**	24,196
Tong De Equity Investment Management (Shanghai) Co., Ltd. *(note 5)*	**939**	123
Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd. *(note 1)*	**248**	160
StarKids Children's Hospital Shanghai *(note 1)*	**—**	479
New Frontier Health Corporation and its subsidiaries *(note 1)*	**—**	42
	24,028	57,473

As lessee

As at 31 December 2021, 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:

	2021 RMB'000	2020 RMB'000
Subsidiaries of Fosun International *(note 6)*	**8,280**	8,300

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.

46. RELATED PARTY TRANSACTIONS (Continued)

(g) Commitments with related parties (Continued)

As lessor (Continued)

Notes: (Continued)

(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.

(12) During the year of 2021, the Group offered Fosun International Limited and its subsidiaries with other services and products at market prices. Fosun International Limited and its subsidiaries include Shanghai Fosun High Tech (Group) Company limited., Shanghai Golte Property Management Co., Ltd., Beijing Golte Property Management Co., Ltd., Shanghai Yunji Information Technology Co., Ltd., Shanghai Xingchong Business Consulting Co., Ltd., Shanghai Pingao investment Management Co., Ltd., Shanghai Fosun Zhijian Information Technology Co., Ltd., Shanghai Fosun Venture Capital Management Co., Ltd., Shanghai Fosun Industry and Technology Development Co., Ltd., Shanghai Fuxing Tourism Management Co., Ltd., Shanghai Xingchuang Health Technology Co., Ltd., Shanghai New Shihua Investment Management Co., Ltd., Shanghai Fuxing Chuangfu Investment Management Co., Ltd., Pramerica Fosun Life Insurance Co., Ltd. and Glsmed Trade S.A.

(13) During the year of 2021, the Group received services and purchased products from the subsidiaries of Fosun International Limited at market prices. The subsidiaries of Fosun International Limited include Shanghai Fosun High Tech (Group) Company limited., Shanghai Yunji Information Technology Co., Ltd., Shanghai Xingyi Health Management Co., Ltd., Stater Cloud Supply Chain Management Company Ltd., Shanghai Xingjing Enterprise Management Consulting Co., Ltd., Zhejiang Fuyi Cosmetics Co., Ltd., Hainan Fuxing Trading Co., Ltd., Hainan Fuxing International Business Travel Co., Ltd., Shanghai Yilian Enterprise Management Co., Ltd. and Shanghai Xingfu Enterprise Management Consulting Co., Ltd.

(14) During the year of 2021, the Group leased out the office buildings to Fosun International Limited and its subsidiaries. Fosun International Limited and its subsidiaries include Shanghai Fosun High Tech (Group) Company limited., Shanghai Pingao investment Management Co., Ltd., Shanghai Fosun Zhijian Information Technology Co., Ltd.

(15) During the year of 2021, the Group leased office buildings from subsidiaries of Fosun International Limited. The subsidiaries of Fosun International Limited include Shanghai New Shihua Investment Management Co., Ltd.

(16) During the year of 2021, 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 Xingyao Medical Technology Development Co.,Ltd. was acquired by the Group on 19 March 2020.

(19) In April 2021, the Company's subsidiary Chancheng Hospital, Fosun Health Group, Foshan ChanXi and Yuyuan Garden signed the contract of equity and debt transfer of Foshan ChanXi. It was agreed that Chancheng Hospital and Fosun Health Group transferred their 100% equity shares of Foshan Chanxi and creditor's rights to Yuyuan Garden, a subsidiary of Fosun International Limited. For details, refer to note 41 Disposal of subsidiaries.

46. RELATED PARTY TRANSACTIONS (Continued)

(h) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 24, 26, 27, 31 and 32 to the financial statements.

(i) Compensation of key management personnel of the Group

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	**34,172**	33,816
Performance-related bonuses	**61,739**	56,178
Pension scheme contributions	**1,047**	282
	96,958	90,276

Further details of directors', supervisors' and the chief executive's emoluments are included in note 10 to the financial statements.

(j) Donations

	2021 RMB'000	2020 RMB'000
Fosun Charity Fund	**23,605**	25,783

For the year ended 31 December 2021, the Group donated RMB23,605,000 (2020: RMB25,783,000) to social welfare projects through Fosun Charity Fund.

(k) Guarantee provided by the related parties

At the end of the reporting period, Fosun International Limited and the Company provided guarantee for Fosun Medical Holding AB, a subsidiary of the Company, to obtain loans at respective proportion of shares

47. CONTINGENT LIABILITIES

As at 31 December 2021 and 2020, the Group did not have any contingent liabilities.

48. PLEDGE OF ASSETS

Details of the Group's interest-bearing bank and other borrowings, which are secured by the assets of the Group, are included in note 33 to the financial statements.

49. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2021

Financial assets	Financial assets at fair value through profit or loss Mandatorily designated as such RMB'000	Financial assets at fair value through other comprehensive income		Financial assets at amortised cost RMB'000	Total RMB'000
		Debt investments RMB'000	Equity investments RMB'000		
Equity investments designated at fair value through other comprehensive income	—	—	29,916	—	29,916
Financial assets at fair value through profit or loss	5,447,558	—	—	—	5,447,558
Debt investments at fair value through other comprehensive income	—	427,884	—	—	427,884
Trade and bills receivables	—	—	—	6,045,460	6,045,460
Financial assets included in prepayments, other receivables and other assets	—	—	—	1,162,440	1,162,440
Trade receivables — non-current	—	—	—	77,395	77,395
Other non-current assets	—	—	—	148,208	148,208
Cash and bank balances	—	—	—	10,308,157	10,308,157
	5,447,558	427,884	29,916	17,741,660	23,647,018

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	—	5,063,661	5,063,661
Financial liabilities included in other payables and accruals	—	5,142,747	5,142,747
Interest-bearing bank and other borrowings	—	24,509,312	24,509,312
Lease liabilities	—	789,856	789,856
Financial liabilities included in other long-term liabilities	1,729,070*	215,104	1,944,174
	1,729,070	35,720,680	37,449,750

49. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

2020

Financial assets	Financial assets at fair value through profit or loss Mandatorily designated as such RMB'000	Financial assets at fair value through other comprehensive income		Financial assets at amortised cost RMB'000	Total RMB'000
		Debt investments RMB'000	Equity investments RMB'000		
Equity investments designated at fair value through other comprehensive income	—	—	1,043	—	1,043
Financial assets at fair value through profit or loss	3,430,865	—	—	—	3,430,865
Debt investments at fair value through other comprehensive income	—	628,881	—	—	628,881
Trade and bills receivables	—	—	—	4,807,059	4,807,059
Financial assets included in prepayments, other receivables and other assets	—	—	—	407,517	407,517
Other non-current assets	—	—	—	188,840	188,840
Cash and bank balances	—	—	—	9,961,802	9,961,802
	3,430,865	628,881	1,043	15,365,218	19,426,007

Financial liabilities	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost RMB'000	Total RMB'000
	Designated as such up on initial recognition RMB'000		
Trade and bills payables	—	3,289,021	3,289,021
Financial liabilities included in other payables and accruals	73,503*	4,291,364	4,364,867
Interest-bearing bank and other borrowings	—	22,964,631	22,964,631
Lease liabilities	—	778,375	778,375
Financial liabilities included in other long-term liabilities	—	241,773	241,773
	73,503	31,565,164	31,638,667

* The amounts include the share redemption options granted to non-controlling shareholders of subsidiaries amounting to RMB1,498,957,000 (2020: RMB73,503,000), with no current portion (2020: RMB73,503,000) and the non-current portion of RMB1,498,957,000 (2020: Nil), of which fair value change is recognised in reserves due to the nature of equity transaction with non-controlling shareholders of the subsidiaries of the Group.

49. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

As at 31 December 2021, there were no bank acceptance bills that the Group has discounted to the bank (2020: 21,246,000). The Group believes that it retains almost all of its risks and rewards, including its related defaults risk. Therefore, the Group continues to confirm it in full and short-term borrowing. After discounting, the Group will not retain the use rights of it, including the right to sell, transfer or pledge it to other third parties.

As at 31 December 2021, the Group endorsed certain bills receivable accepted by banks 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 RMB1,898,781,000 (2020: RMB1,135,487,000). In addition, the Group discounted certain bills accepted by banks in the PRC included in bills receivable and 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 RMB474,847,000 (2020: RMB549,575,000). The Endorsed Bills and the Discounted Bills had a maturity from one to six months at the end of the reporting period. In accordance with the relevant laws and regulations in the PRC and relevant discounting arrangement with certain banks, the holders of the Endorsed Bills and the Discounted Bills have a right of recourse against the Group if the accepting banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Endorsed bills and the Discounted Bills. Accordingly, it has derecognised the full carrying amounts of the Endorsed Bills and the Discounted Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills and the undiscounted cash flows to repurchase these Endorsed Bills and Discounted Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills are not significant.

During the reporting period, the Group has not recognised any gain or loss on the date of transfer of the Endorsed Bills and the Discounted Bills. No gains or losses were recognised from the continuing involvement, both during the year or cumulatively. The endorsement and the discount have been made evenly throughout the reporting period.

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets:				
Equity investments designated at fair value through other comprehensive income	**29,916**	1,043	**29,916**	1,043
Debt investments at fair value through other comprehensive income	**427,884**	628,881	**427,884**	628,881
Financial assets at fair value through profit or loss	**5,447,558**	3,430,865	**5,447,558**	3,430,865
	5,905,358	4,060,789	**5,905,358**	4,060,789
Financial liabilities:				
Non-current portion of interest-bearing bank borrowings	**6,694,183**	7,145,884	**6,599,603**	7,172,117
Interest-bearing other borrowings	**3,686,254**	6,620,107	**3,654,328**	6,673,003
Financial liabilities included in other long-term liabilities	**1,944,174**	241,773	**1,944,174**	241,773
	12,324,611	14,007,764	**12,198,105**	14,086,893

Management has assessed that the fair values of cash and bank balances, trade and bills receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial assets included in other non-current assets and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments or the interest rate is approximate to the discount rate of current market.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for the non-current portion of interest-bearing bank and other borrowings as at 31 December 2021 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 2021:

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 RMB1,498,957,000 (31 December 2020: RMB73,503,000 included in other payables and accruals) 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 fair value of net assets of subsidiaries.

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:
As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Financial assets at fair value through profit or loss *(note 28)*	**3,259,068**	**573,994**	**1,614,496**	**5,447,558**
Equity investments designated at fair value through other comprehensive income *(note 21)*	**5,380**	**24,536**	**—**	**29,916**
Debt investments at fair value through other comprehensive income	**—**	**427,884**	**—**	**427,884**
	3,264,448	**1,026,414**	**1,614,496**	**5,905,358**

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss *(note 28)*	1,215,451	701,386	1,514,028	3,430,865
Equity investments designated at fair value through other comprehensive income *(note 21)*	—	1,043	—	1,043
Debt investments at fair value through other comprehensive income	—	628,881	—	628,881
	1,215,451	1,331,310	1,514,028	4,060,789

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	Financial assets at fair value through profit or loss 2021 RMB'000	Financial assets at fair value through profit or loss 2020 RMB'000
As at 1 January	**1,514,028**	1,878,969
Transferred in	**—**	249,785
Transferred out	**—**	(614,237)
Total losses recognised in the statement of profit or loss included in other gains	**(633,699)**	(83,893)
Total losses recognised in other comprehensive income	**(18,141)**	(58,314)
Addition	**822,912**	252,439
Settlement	**(70,604)**	(110,721)
As at 31 December	**1,614,496**	1,514,028

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 RMB295,087,000 were transferred from Level 2 to Level 1 (2020: Nil) due to the end of the restricted stock trade period. There were no fair value measurements transfers from Level 3 to Level 2 of financial assets at fair value through profit or loss in 2021 (2020: Fair value measurements of financial assets at fair value through profit or loss held by the Group with the carrying amount of RMB614,237,000 were transferred from Level 3 to Level 2 due to the fact that the investee companies were listed but still in the restricted sale period). There were no fair value measurements transfers from Level 2 to Level 3 of financial assets at fair value through profit or loss in 2021 (2020:The fair value measurements of financial assets at fair value through profit or loss with the carrying amount of RMB249,785,000 were transferred from Level 2 to Level 3 due to there are no recent market finance transactions with significant observable inputs). And there were no transfers from Level 2 to Level 1 for financial liabilities (2020: Nil).

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:
As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Amounts included in other long-term liabilities	**—**	**—**	**1,729,070**	**1,729,070**

As at 31 December 2020

	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 payable and accruals	—	—	73,503	73,503

The movements in fair value measurements in Level 3 during the year are as follows:

	2021 RMB'000	2020 RMB'000
Amounts included in other long-term liabilities:		
At 1 January	**73,503**	2,818,244
Total gains recognised in other reserve	**—**	20,630
Addition	**1,729,070**	—
Transferred out	**—**	(2,556,085)
Settlement	**(73,503)**	(209,286)
At 31 December	**1,729,070**	73,503

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Non-current portion of interest-bearing bank borrowings	**—**	**6,599,603**	**—**	**6,599,603**
Interest-bearing other borrowings	**748,726**	**2,905,602**	**—**	**3,654,328**
Amounts included in other long-term liabilities	**—**	**215,104**	**1,729,070**	**1,944,174**
	748,726	**9,720,309**	**1,729,070**	**12,198,105**

As at 31 December 2020

	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	—	7,172,117	—	7,172,117
Interest-bearing other borrowings	5,357,695	1,315,308	—	6,673,003
Amounts included in other long-term liabilities	—	241,773	—	241,773
	5,357,695	8,729,198	—	14,086,893

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and floating rate debts.

As at 31 December 2021, the total interest-bearing bank borrowings of RMB7,840,855,000 (31 December 2020: RMB11,039,056,000) 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
2021		
RMB	**1**	**(27,593)**
USD	**1**	**(28,138)**
EUR	**1**	**(3,075)**
RMB	**(1)**	**27,593**
USD	**(1)**	**28,138**
EUR	**(1)**	**3,075**
2020		
RMB	1	(39,963)
USD	1	(40,357)
EUR	1	(2,473)
RMB	(1)	39,963
USD	(1)	40,357
EUR	(1)	2,473

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Foreign currency risk

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

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD,EUR and HKD exchange rates, with all other variables held constant, of the Group's profit after tax due to changes in the fair value of monetary assets and liabilities.

	Increase/ (decrease) in foreign currency rate %	**Increase/ (decrease) in profit after tax** RMB'000
2021		
If RMB weakens against USD	**5**	**40,328**
If RMB strengthens against USD	**(5)**	**(40,328)**
If RMB weakens against EUR	**5**	**(97,642)**
If RMB strengthens against EUR	**(5)**	**97,642**
If RMB weakens against HKD	**5**	**36,087**
If RMB strengthens against HKD	**(5)**	**(36,087)**
2020		
If RMB weakens against USD	5	25,242
If RMB strengthens against USD	(5)	(25,242)
If RMB weakens against EUR	5	(71,222)
If RMB strengthens against EUR	(5)	71,222
If RMB weakens against HKD	5	20,669
If RMB strengthens against HKD	(5)	(20,669)

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk

The Group trades only with related companies and recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, and deposits and other receivables, arises from the default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Maximum exposure and year-end staging

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2021

	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*	—	—	—	6,045,460	6,045,460
Debt investments at fair value through other comprehensive income*	427,884	—	—	—	427,884
Financial assets included in prepayments, other receivables and other assets					
— Normal**	1,162,440	—	—	—	1,162,440
Trade receivables — non-current	77,395	—	—	—	77,395
Other non-current assets	148,208	—	—	—	148,208
Cash and bank balances					
— Not yet past due	10,308,157	—	—	—	10,308,157
	12,124,084	—	—	6,045,460	18,169,544

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk (Continued)

As at 31 December 2020

	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*	—	—	—	4,807,059	4,807,059
Debt investments at fair value through other comprehensive income*	628,881	—	—	—	628,881
Financial assets included in prepayments, other receivables and other assets					
— Normal**	407,517	—	—	—	407,517
Other non-current assets	188,840	—	—	—	188,840
Cash and bank balances					
— Not yet past due	9,961,802	—	—	—	9,961,802
	11,187,040	—	—	4,807,059	15,994,099

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 26 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 26 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing borrowings. As at 31 December 2021, 60% (31 December 2020: 61%) 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:

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
2021					
Interest-bearing bank and other borrowings	—	15,935,959	7,084,967	2,733,895	25,754,821
Lease liabilities	—	141,496	475,128	184,442	801,066
Trade and bills payables	—	5,063,661	—	—	5,063,661
Financial liabilities included in other payables and accruals	4,963,513	180,072	—	—	5,143,585
Financial liabilities included in other long-term liabilities	—	—	1,970,216	230,113	2,200,329
	4,963,513	21,321,188	9,530,311	3,148,450	38,963,462
2020					
Interest-bearing bank and other borrowings	—	14,836,060	8,096,615	784,511	23,717,186
Lease liabilities	—	151,084	607,767	82,173	841,024
Trade and bills payables	—	3,289,021	—	—	3,289,021
Financial liabilities included in other payables and accruals	3,991,782	373,085	—	—	4,364,867
Financial liabilities included in other long-term liabilities	—	—	241,773	—	241,773
	3,991,782	18,649,250	8,946,155	866,684	32,453,871

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments included in financial assets at fair value through profit or loss (note 28) and equity investments at fair value through other comprehensive Income (note 21) as at 31 December 2021. The Group's listed investments are listed on the stock exchanges in Shenzhen, Hong Kong, New York and NASDAQ are valued at quoted market prices or using valuation techniques at the end of the reporting period.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2021	**High/low 2021**	31 December 2020	High/low 2020
Shenzhen — GEM Index	**3,323**	**3,563/2,633**	2,966	2,966/1,796
Shenzhen — A-share Index	**2,648**	**2,681/2,261**	2,438	2,442/1,683
New York — NASDAQ Index	**15,645**	**16,057/12,609**	12,888	12,899/6,861
New York — NYSE Index	**17,164**	**17,311/14,377**	14,525	14,525/8,777
Hong Kong — HSI Index	**23,398**	**31,085/22,745**	27,231	29,056/21,696

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the equity investments, with all other variables held constant and after any impact on tax, based on their carrying amounts at the end of the reporting period. For the purposes of this analysis, for the equity investments at fair value through other comprehensive income, the impact is deemed to be on the fair value reserve revaluation reserve, respectively.

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Equity price risk (Continued)

	Change in equity prices %	Carrying amount of equity investments RMB'000	Change in profit after tax RMB'000	Change in equity* RMB'000
2021				
Investments listed in:				
New York — Financial assets at fair value through profit or loss	10	415,060	41,506	—
New York — Financial assets at fair value through profit or loss	(10)	415,060	(41,506)	—
Shenzhen GEM — Financial assets at fair value through profit or loss	10	17,277	1,296	—
Shenzhen GEM — Financial assets at fair value through profit or loss	(10)	17,277	(1,296)	—
Shenzhen — Financial assets at fair value through profit or loss	10	221,496	16,688	—
Shenzhen — Financial assets at fair value through profit or loss	(10)	221,496	(16,688)	—
NASDAQ — Financial assets at fair value through profit or loss	10	2,643,085	264,309	—
NASDAQ — Financial assets at fair value through profit or loss	(10)	2,643,085	(264,309)	—
Taiwan — Financial assets at fair value through profit or loss	10	89,499	8,950	—
Taiwan — Financial assets at fair value through profit or loss	(10)	89,499	(8,950)	—
Hong Kong — Financial assets at fair value through profit or loss	10	446,645	44,664	—
Hong Kong — Financial assets at fair value through profit or loss	(10)	446,645	(44,664)	—
Shanghai — Equity investments at fair value through other comprehensive income	10	29,916	—	2,297
Shanghai — Equity investments at fair value through other comprehensive income	(10)	29,916	—	(2,297)
Total financial assets at fair value through profit or loss		3,833,062		
Total equity investments at fair value through other comprehensive income		29,916		

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Equity price risk (Continued)

	Change in equity prices %	Carrying amount of equity investments RMB'000	Change in profit after tax RMB'000	Change in equity* RMB'000
2020				
Investments listed in:				
New York — Financial assets at fair value through profit or loss	10	92,845	9,285	—
New York — Financial assets at fair value through profit or loss	(10)	92,845	(9,285)	—
Shenzhen GEM — Financial assets at fair value through profit or loss	10	17,641	1,323	—
Shenzhen GEM — Financial assets at fair value through profit or loss	(10)	17,641	(1,323)	—
Shenzhen — Financial assets at fair value through profit or loss	10	211,471	15,939	—
Shenzhen — Financial assets at fair value through profit or loss	(10)	211,471	(15,939)	—
NASDAQ — Financial assets at fair value through profit or loss	10	1,058,243	105,824	—
NASDAQ — Financial assets at fair value through profit or loss	(10)	1,058,243	(105,824)	—
NASDAQ — Equity investments at fair value through other comprehensive income	10	32,003	3,200	—
NASDAQ — Equity investments at fair value through other comprehensive income	(10)	32,003	(3,200)	—
Taiwan — Financial assets at fair value through profit or loss	10	504,634	50,463	—
Taiwan — Financial assets at fair value through profit or loss	(10)	504,634	(50,463)	—
Hong Kong — Financial assets at fair value through profit or loss	10	1,043	—	89
Hong Kong — Financial assets at fair value through profit or loss	(10)	1,043	—	(89)
Total financial assets at fair value through profit or loss		1,916,837		
Total equity investments at fair value through other comprehensive income		1,043		

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(f) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 31 December 2020.

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, lease liabilities, 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:

	2021	2020
	RMB'000	RMB'000
Interest-bearing bank and other borrowings *(note 33)*	**24,509,312**	22,964,631
Lease liabilities *(note 34)*	**789,856**	778,375
Less: Cash and bank balances *(note 29)*	**(10,308,157)**	(9,961,802)
Net debt	**14,991,011**	13,781,204
Total equity	**48,318,678**	45,927,396
Total equity and net debt	**63,309,689**	59,708,600
Gearing ratio	**24%**	23%

52. EVENTS AFTER THE REPORTING PERIOD

(a) Changes in BioNTech's share price as of the date of the report

As at 31 December 2021, the Group held 1,580,777 shares of BioNTech SE with the cost of USD31.63 per share, which was listed on NASDAQ. On 31 December 2021, the closing price of BioNTech SE was USD257.80 per share, and as of 21 March 2022, the closing price of BioNTech SE was at USD170.12 per share.

(b) Acquisition of Guangzhou Xinshi Hospital

On 9 November 2021, Fosun Health Group, a subsidiary of the Company, signed an equity transfer agreement with Guangzhou Xinshi Hospital, Mr. Lin Junjie and his spouse Ms. Yu Cuilin. Fosun Health Group would acquire 70% share of Guangzhou Xinshi Hospital held by Mr. Lin Junjie with a consideration of RMB809.2 million.

In January 2022, the acquisition was completed.

Because the acquisition was completed shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition.

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**6,876**	7,006
Other intangible assets	**2,085**	1,376
Investments in subsidiaries	**11,356,873**	11,269,800
Investments in associates	**8,385,642**	8,626,331
Financial assets at fair value through profit or loss	**66,942**	151,914
Other non-current assets	**4,791,720**	6,723,401
Total non-current assets	**24,610,138**	26,779,828
CURRENT ASSETS		
Prepayments, deposits and other receivables	**9,955,890**	7,089,058
Cash and bank balances	**768,036**	344,611
	10,723,926	7,433,669
Assets of a disposal group classified as held for sale	**57,280**	—
Total current assets	**10,781,206**	7,433,669
CURRENT LIABILITIES		
Other payables and accruals	**3,581,573**	3,702,506
Interest-bearing bank and other borrowings	**6,822,443**	8,109,298
Tax payable	**100,000**	—
Total current liabilities	**10,504,016**	11,811,804
NET CURRENT ASSETS/(LIABILITIES)	**277,190**	(4,378,135)
TOTAL ASSETS LESS CURRENT LIABILITIES	**24,887,328**	22,401,693
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**5,156,886**	2,863,351
Deferred tax liability	**968,947**	968,947
Total non-current liabilities	**6,125,833**	3,832,298
Net assets	**18,761,495**	18,569,395
EQUITY		
Share capital	**2,562,899**	2,562,899
Reserves	**16,198,596**	16,006,496
Total equity	**18,761,495**	18,569,395

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's treasury shares and reserves is as follows:

	Share premium RMB'000	Fair value reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 31 December 2019 and 1 January 2020	14,015,125	(89,827)	1,281,449	1,587,354	16,794,101
Total comprehensive income for the year	—	16,749	—	196,151	212,900
Transfer other comprehensive income to retained profits	—	85,374	—	(85,374)	—
Final 2019 dividend declared and paid	—	—	—	(1,000,505)	(1,000,505)
At 31 December 2020	14,015,125	12,296	1,281,449	697,626	16,006,496

	Share premium RMB'000	**Fair value reserve RMB'000**	**Statutory surplus reserve RMB'000**	**Retained profits RMB'000**	**Total RMB'000**
At 31 December 2020 and 1 January 2021	**14,015,125**	**12,296**	**1,281,449**	**697,626**	**16,006,496**
Total comprehensive income for the year	**—**	**—**	**—**	**1,475,097**	**1,475,097**
Transfer Investments in subsidiaries to another subsidiary without consideration	**(180,000)**	**—**	**—**	**—**	**(180,000)**
Final 2020 dividend declared and paid	**—**	**—**	**—**	**(1,102,997)**	**(1,102,997)**
At 31 December 2021	**13,835,125**	**12,296**	**1,281,449**	**1,069,726**	**16,198,596**

54. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2022.

Definitions

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below.

"2021 Final Dividend"	the final dividend of RMB0.56 (before tax) per share for the year ended 31 December 2021
"A Share(s)"	domestic share(s) of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
"A Shareholder(s)"	holder(s) of A Shares
"Aleph"	Dalian Aleph Biomedical Co., Ltd.* (大連雅立峰生物製藥有限公司), a subsidiary of the Company
"Anji Investment Fund"	Anji Fuyao Xingyue Venture Capital Investment 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
"Antejin"	Fosun Antejin (Chengdu) Biomedical Co., Ltd.* (復星安特金(成都)生物製藥有限公司) (formerly known as Chengdu Antejin Biotech Co., Ltd.* (成都安特金生物技術有限公 司)), a subsidiary of the Company as at the end of the Reporting Period
"Articles" or "Articles of Association"	the articles of association of the Company
"associates"	has the meaning given to it under the Hong Kong Listing Rules
"Australia"	Commonwealth of Australia
"Avanc Pharma"	Jinzhou Avanc Pharmaceutical Company Limited* (錦州奧鴻藥業有限責任公司), a subsidiary of the Company
"BFLY"	Butterfly Network, Inc., a company registered in United States, which is listed on the New York Stock Exchange (Stock Code: BFLY)
"BI"	Business Intelligence
"BioNTech" or "BNTX"	BioNTech SE, a company registered in Germany, which is listed on the NASDAQ (Stock Code: BNTX)
"Board" or "Board of Directors"	the board of Directors
"Breas"	Breas Medical Holdings AB, a company registered in Sweden, and a subsidiary of the Company
"BSE"	BSE Limited
"Carelife Pharma"	Chongqing Carelife Pharmaceutical Co., Ltd.* (重慶凱林製藥有限公司), a subsidiary of the Company

"CG Code"	the Corporate Governance Code and the Corporate Governance Report contained in Appendix 14 to the Hong Kong Listing Rules
"Chemo Biopharma"	Shanghai Chemo Biopharma Co., Ltd.* (上海凱茂生物醫藥有限公司), a subsidiary of the Company
"Chongqing 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
"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 and in the context of our Company, means Guo Guangchang, Wang Qunbin, Fosun International Holdings, Fosun Holdings, Fosun International and Fosun High Tech
"CQ Pharma Holdings"	C.Q. Pharmaceutical Holding Co., Ltd.* (重藥控股股份有限公司), a joint stock company incorporated under the PRC Law with limited liability, the shares of which are listed and traded on the Shenzhen Stock Exchange (stock code: 000950)
"CSRC"	China Securities Regulatory Commission* (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities market
"Dalian Partnership"	Dalian Fujian InnoStar Venture Capital 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
"Deed of Non-Competition"	the deed of non-competition dated 13 October 2012 and executed by our controlling shareholders in favour of the Company (for itself and as trustee of its subsidiaries from time to time)
"Director(s)"	director(s) of the Company
"Dongting Pharma"	Hunan Dongting Pharmaceutical Co., Ltd.* (湖南洞庭藥業股份有限公司), a subsidiary of the Company
"DRG"	Diagnosis Related Groups
"DTP"	Direct to Patient
"EBITDA"	earnings before interest, taxes, depreciation and amortization

Definitions

"EHS"	Environment, Health and Safety
"Erye Pharma"	Suzhou Erye Pharmaceutical Co., Ltd.* (蘇州二葉製藥有限公司), a subsidiary of the Company
"EU"	European Union
"Fareast Casings"	Far-Eastern Casing Co., Ltd.* (遠東腸衣食品有限公司)
"Forte Industrial Development"	Shanghai Forte Industrial Development Group Co., Ltd. * (上海復地產業發展集團有限公司), a subsidiary of Fosun High Tech
"Foshan Chancheng Hospital"	Foshan Fosun Chancheng Hospital Limited* (佛山復星禪誠醫院有限公司), formerly known as "Foshan Chancheng Central Hospital Company Limited* (佛山市禪城區中心醫院有限公司)", a for-profit medical institution established with the approval of the Population, Health and Drug Administration of Chancheng District, Foshan (佛山市禪城區人口和衛生藥品監督管理局), a subsidiary of the Company
"Foshan Chanxi"	Foshan Chanxi Real Estate Development Co., Ltd.* (佛山禪曦房地產開發有限公司)
"Foshion"	Shanghai Foshion Medical Devices Co., Ltd.* (上海復技醫療器械有限公司), 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 Healthcare" or "Fosun Health"	Shanghai Fosun Health Technology (Group) Co., Ltd.* (上海復星健康科技(集團)有限公司), formerly known as Shanghai Fosun Healthcare (Group) Co., Ltd.* (上海復星醫療(集團)有限公司), a subsidiary of the Company
"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* (復星控股有限公司), a direct wholly-owned subsidiary of Fosun International Holdings and a controlling shareholder of the Company
"Fosun Industrial"	Fosun Industrial Co., Ltd., a subsidiary of the Company
"Fosun International"	Fosun International Limited (復星國際有限公司), an indirect subsidiary of Fosun International Holdings and the controlling shareholder of the Company, the shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 00656)

"Fosun International Holdings"	Fosun International Holdings Limited, which was held as to 85.29% and 14.71% by Guo Guangchang and Wang Qunbin, respectively, as at the end of the Reporting Period, and a controlling shareholder of the Company
"Fosun Kite"	Fosun Kite Biological Technology Co., Ltd.* (復星凱特生物科技有限公司), a joint venture of the Company
"Fosun Pharmaceutical Industrial"	Shanghai Fosun Pharmaceutical Industrial Development Company Limited* (上海復星醫藥產業發展有限公司), a subsidiary of the Company
"Fosun Tourism"	Fosun Tourism Group, a company incorporated in Cayman Islands, the shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 01992)
"Fosun Trade"	Hainan Fosun Trade Co., Ltd.* (海南復星商社貿易有限公司), a subsidiary of Fosun High Tech
"Fosun Trade Medical"	Hainan Fosun Trade Medical Co., Ltd.* (海南復星商社醫療有限公司), a subsidiary of the Company
"Fujian Fund"	Shanghai Fujian Equity Investment Fund Management Co., Ltd.* (上海復健股權投資基金管理有限公司), a subsidiary of the 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
"Getz Pharma"	Getz Pharma (Private) Limited and its subsidiary Getz Pharma International FZ-LLC
"Gland Pharma Share Option Incentive Scheme"	the share option incentive scheme adopted by Gland Pharma, which was approved by the Shareholders at the annual general meeting of the Company held on 25 June 2019 and the shareholders of Fosun International at its annual general meeting held on 5 June 2019
"Gland Pharma"	Gland Pharma Limited, a company incorporated in India, the shares of which are listed on the BSE and NSE (stock code: GLAND), a subsidiary of the Company
"GMP"	Good Manufacture Practices
"Group", "we" or "us"	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require)
"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

Definitions

"H Shareholder(s)"	holder(s) of H Shares
"HKFRS"	the Hong Kong Financial Reporting Standards
"Hong Kong dollars", "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"IDL"	Imported Drug License
"INR"	Rupees, the lawful currency of India
"Intuitive Fosun HK"	Intuitive Surgical-Fosun (Hongkong) Co., Limited, a company incorporated in Hong Kong, an associated company of the Company
"Intuitive Fosun Shanghai"	Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd.* (直觀復星醫療器械技術(上海)有限公司), an associated company of the Company
"Intuitive Fosun"	Intuitive Fosun HK and Intuitive Fosun Shanghai
"Kelin Huodai"	Shanghai Kelin International Freight Forwarding Co., Ltd.* (上海科麟國際貨運代理有限公司), deregistered in March 2021
"Kite Pharma"	KP EU C.V., a company registered in the Netherlands
"Macau"	the Macau Special Administrative Region of the PRC
"LIMS"	Laboratory Information Management System
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
"MPP"	Medicines Patent Pool, a non-profit public health organization supported by the United Nations
"NAFMII"	The National Association of Financial Market Institutional Investors
"Nanjing Fuxin"	Nanjing Fuxin Equity Investment Management Partnership (Limited Partnership)* (南京復鑫股權投資管理合夥企業(有限合夥))
"NDA"	new drug application

"NEEQ"	National Equities Exchange and Quotations
"Ningbo Xingyao"	Ningbo Xingyao Furui Corporate Management Partnership (Limited Partnership)* 寧波星曜復瑞企業管理合夥企業(有限合夥)
"NMPA"	National Medical Products Administration of the People's Republic of China* (中華人民共和國國家藥品監督管理局), the PRC governmental authority responsible for the regulation of drugs
"NSE"	The National Stock Exchange of India Limited
"Pharmaceutical Institute Research"	Chongqing Pharmaceutical Institute Research Co., Ltd.* (重慶醫工院藥物研究有限責任公司), deregistered in February 2021
"PCT"	Patent Cooperation Treaty
"POCT"	Point-Of-Care Testing
"PRC Company Law"	the Company Law of the PRC* (《中華人民共和國公司法》)
"PRC Enterprise Income Tax Law"	the Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得税法》)
"PRC Securities Law"	the Securities Law of the PRC* (《中華人民共和國證券法》)
"PRC" or "China"	the People's Republic of China, and "Chinese" shall be construed accordingly. References in this annual report to the PRC or China, for geographical reference only, exclude Hong Kong, China, the Macau Special Administrative Region and Taiwan
"R&D"	research and development
"RBRVS"	Resource-based relative value scale
"Red Flag Pharma"	Shenyang Red Flag Pharmaceutical Co., Ltd.* (瀋陽紅旗製藥有限公司), a subsidiary of the Company
"Reporting Period"	the 12-month period from 1 January 2021 to 31 December 2021
"Research Institute Pharmaceutical"	Chongqing Research Institute Pharmaceutical Co., Ltd.* (重慶醫工院製藥有限責任公司), deregistered in February 2021
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFHIH"	Shanghai Fosun Health Industrial Holdings Co., Ltd.* (上海復星健康產業控股有限公司), a subsidiary of Fosun High Tech
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

Definitions

"Shanghai Boyiya"	Shanghai Boyiya Medical Equipment Co., Ltd.* (上海博億雅醫療器械有限責任公司), deregistered in April 2021
"Shanghai Fosun Bund Property" or "Zhengda Real Estate"	Shanghai Fosun Bund Property Co., Ltd* (上海復星外灘置業有限公司), formerly known as Shanghai Zhengda Bund International Finance Services Centre Real Estate Company Limited* (上海證大外灘國際金融服務中心置業有限公司), 50% of the equity interests of which is indirectly owned by Fosun International
"Shanghai Henlius"	Shanghai Henlius Biotech Company Limited (上海復宏漢霖生物技術股份有限公司), a subsidiary of the Company, a company whose H shares are listed on the Hong Kong Stock Exchange (Stock Code: 02696)
"Shanghai Lilin"	Shanghai Lilin Medical Management Partnership (Limited Partnership)* (上海礪麟醫療管理合夥企業(有限合夥)), deregistered in April 2021
"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)
"Shareholders"	holders of the 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 Fosun Health"	Shenzhen Fosun Health Information Technology Company Limited* (深圳復星健康信息科技有限公司), a subsidiary of the Company
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所)
"Shenzhen Xinsheng"	Shenzhen Xinsheng Pharmaceutical Co., Ltd.* (深圳信生藥業有限公司), a subsidiary of the Company as at the end of the Reporting Period
"Sinopharm Industrial"	Sinopharm Industrial Investment Co., Ltd. (國藥產業投資有限公司), an associate of the Company
"Sinopharm"	Sinopharm Group Co., Ltd.* (國藥控股股份有限公司), a subsidiary of Sinopharm Industrial, whose H shares are listed on the Hong Kong Stock Exchange (stock code: 01099)
"Sisram Medical"	Sisram Medical Ltd. (復鋭醫療科技有限公司*), a subsidiary of the Company, the shares of which are listed on the Hong Kong Stock Exchange (stock code: 01696)
"substantial shareholder(s)"	has the meaning given to it under the Hong Kong Listing Rules
"Supervisors"	the members of the Supervisory Committee
"Supervisory Committee"	the supervisory committee of the Company

"Suqian Zhongwu Hospital (Suqian Cancer 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 as at the end of the Reporting Period
"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 Partnership"	Suzhou Xingsheng 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
"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 Xingchen Children's Hospital"	Suzhou Xingchen Children's Hospital Co., Ltd.* (蘇州星晨兒童醫院有限公司), a subsidiary of the Company
"Suzhou Xingsheng"	Suzhou Xingsheng Health Industrial Management Partnership (Limited Partnership)* (蘇州星盛健康產業管理合夥企業(有限合夥))
"Taizhou Zhedong Medical Care"	Taizhou Zhedong Medical Care Investment Management Co., Ltd.* (台州浙東醫養投資管理有限公司)
"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 Fuyao"	Tianjin Fuyao Business Management Partnership (Limited Partnership)* (天津復曜商業管理合夥企業(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
"U.S. FDA"	U.S. Food and Drug Administration
"U.S." or "United States"	United States of America, its territories and possessions, any State of the United States and the District of Columbia
"US dollars", "USD" or "US$"	United States dollars, the lawful currency of the United States
"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
"WeDoctor"	We Doctor Holdings Limited, a company incorporated in Caymen Islands
"WHO-PQ"	World Health Organization-Prequalification

Definitions

"Written Code"	Written Code for Securities Transactions by Directors/Relevant Employees of the Company* (《董事／有關僱員進行證券交易的書面指引》)
"Wuhan Jihe Hospital"	Wuhan Jihe Hospital Co., Ltd.* (武漢濟和醫院有限公司), a subsidiary of the Company
"Xingjian Ruiying"	Nanjing Xingjian Ruiying Equity Investment Partnership (Limited Partnership)* (南京星健睿贏股權投資合夥企業(有限合夥)), a subsidiary of the Company
"Xingmai Technology"	Shanghai Xingmai Information Technology Co., Ltd.* (上海杏脈信息科技有限公司)
"Xingshuangjian Investment"	Shanghai Xingshuangjian Investment Management Co., Ltd.* (上海星雙健投資管理有限公司)
"Xingyuanda"	Xingyuanda Medical Technology Huai'an Co. Ltd.* (星苑達醫療科技淮安有限公司), formerly known as Shanghai Xingyuanda Medical Technology Co., Ltd.* (上海星苑達醫療科技有限公司), a subsidiary of the Company as at the end of the Reporting Period
"Xuzhou Investment Fund"	Xuzhou Fuyao Xingpeng Venture Capital Investment 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 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
"Yaneng Biotech"	Yaneng Biotechnology (Shenzhen) Co., Ltd.* (亞能生物技術(深圳)有限公司)
"Yao Pharma"	Chongqing Yao Pharmaceutical Company Limited* (重慶藥友製藥有限責任公司), a subsidiary of the Company
"Youle Information"	Youle Information Technology Company Limited* (上海有叻信息科技有限公司)
"Zhaohui Pharma"	Shanghai Zhaohui Pharmaceutical Co., Ltd.* (上海朝暉藥業有限公司), a subsidiary of the Company
"Zhuorui Outpatient"	Shanghai Zhuorui Integrated Outpatient Limited Company* (上海卓瑞綜合門診部有限公司), 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.

FOSUN PHARMA

Innovation for Good Health

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