三生制药
3SBIO INC.

30 1993-2023

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1530 | Convertible Bonds Code: 40285

2022 ANNUAL REPORT

Mission for Innovation
Champion for China
Global Outreach

Contents

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3SBIO INC.

Company Profile

3SBio Inc. (the "**Company**" or "**3SBio**", and with its subsidiaries collectively, the "**Group**") is a leading biotechnology company in the People's Republic of China (the **"PRC"**). As a pioneer in the Chinese biotechnology industry, the Group has extensive expertise in researching, developing, manufacturing and marketing biopharmaceuticals. The core products of the Group include several bio-pharmaceutical drugs, TPIAO (特比澳), recombinant human erythropoietin ("**rhEPO**") products EPIAO (益比奥) and SEPO (賽博爾), Yisaipu (益賽普), Cipterbin (賽普汀) and a small molecule drug, Mandi (蔓迪). TPIAO is the only commercialized recombinant human thrombopoietin "**rhTPO**") product in the world. According to IQVIA[1], the market share in the treatment of thrombocytopenia of TPIAO in Mainland China[2] was 64.8% in 2022 in terms of sales value. With its two rhEPO products, the Group has been the premier market leader in the Mainland China rhEPO market for two decades, holding a total market share of 44.5% in 2022. According to the data of Chinese Pharmaceutical Association (中國藥學會, "**CPA**"), Mandi has a dominant market share of 71.7% in the Mainland China minoxidil tincture market in terms of sales value in 2022. Yisaipu is a Tumour Necrosis Factor ("**TNF**") α inhibitor product with a market share of 27.1% in the Mainland China TNF α market in 2022. The Group has been expanding its therapeutic coverage by adding products through internal research and development ("**R&D**") and various external strategic partnerships. Meanwhile, the Group boosts its revenue scale through strategic positioning in contract development and manufacturing operation ("**CDMO**") business. Its operation officially commenced since December 2021, witnessing continuous growth in Mainland China.

As at 31 December 2022, amongst the 31 product candidates within the Group's active pipeline, 26 were being developed as innovative drugs in Mainland China. Out of these 31 product candidates, 16 are antibodies, 6 are other biologic products, and 9 are small molecule entities. The Group has 7 product candidates in oncology; 13 product candidates that target auto-immune diseases including rheumatoid arthritis ("**RA**") and other diseases including refractory gout and ophthalmological diseases such as macular degeneration ("**AMD**"); 9 product candidates in nephrology; and 2 product candidates in dermatology.

The Group operates in a highly attractive industry. Biotechnology has revolutionized the pharmaceutical industry by addressing unmet medical needs and offering innovative treatments for a wide array of human diseases. In Mainland China, the biotechnology industry enjoys strong government support and has been selected by the State Council of the PRC as a key strategic emerging industry. Strong government support along with increasing physician adoption of biopharmaceuticals has driven strong industry growth in Mainland China.

The Group is positioned for global expansion. Outside of Mainland China, TPIAO has been approved in nine countries; EPIAO has been approved in 23 countries; and Yisaipu has been approved in 15 countries. In the long term, the Group aims to market its products in developed countries. Furthermore, the Group is collaborating with international partners to develop and market the Group's product candidates, such as pegsiticase and anti-programmed cell death protein 1 (**"PD1"**) monoclonal antibody ("**mAb**"). The Group aims to focus its R&D to provide innovative therapeutics for patients in Mainland China and globally.

[1] All market share information throughout this report cites the IQVIA data, unless otherwise noted.

[2] Hereinafter referred to as the mainland area of the PRC.

Company Profile

As at 31 December 2022, the Group had operation facilities in Shenyang, Shanghai, Hangzhou and Shenzhen, all in Mainland China, as well as in Como, Italy, with 5,213 employees. The Group's pharmaceutical products are marketed and sold in all provinces, autonomous regions and special municipalities in Mainland China, as well as a number of foreign countries and regions. For the year ended 31 December 2022 (the "**Reporting Period**"), the Group's nationwide sales and distribution network enabled it to sell its products to over 9,000 hospitals and medical institutions in Mainland China.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. LOU Jing (*Chairman & Chief Executive Officer*)
Ms. SU Dongmei

Non-executive Directors

Mr. HUANG Bin
Mr. TANG Ke (resigned on 30 December 2022)

Independent Non-executive Directors

Mr. PU Tianruo
Ms. YANG, Hoi Ti Heidi
Mr. NG, Joo Yeow Gerry (appointed on 21 January 2022)
Dr. ZHANG Dan (appointed on 30 December 2022)
Dr. WONG Da Silva Lap Yan Leo De Rothschild
(formerly known as Wong Lap Yan)
(resigned on 21 January 2022)

COMPANY SECRETARY

Ms. LAI Siu Kuen (appointed on 10 February 2022)
Mr. LEE Kwok Fai Kenneth (resigned on 10 February 2022)

AUTHORIZED REPRESENTATIVES

Ms. SU Dongmei
Ms. LAI Siu Kuen (appointed on 10 February 2022)
Mr. LEE Kwok Fai Kenneth (resigned on 10 February 2022)

AUDIT COMMITTEE

Mr. PU Tianruo (*Chairman*)
Ms. YANG, Hoi Ti Heidi
Mr. NG, Joo Yeow Gerry (appointed on 21 January 2022)
Dr. WONG Da Silva Lap Yan Leo De Rothschild
(formerly known as Wong Lap Yan)
(resigned on 21 January 2022)

REMUNERATION COMMITTEE

Ms. YANG, Hoi Ti Heidi *(Chairlady)* (appointed on 21 January 2022)
Mr. PU Tianruo
Dr. ZHANG Dan (appointed on 30 December 2022)
Mr. TANG Ke (resigned on 30 December 2022)
Dr. WONG Da Silva Lap Yan Leo De Rothschild
(formerly known as Wong Lap Yan)
(resigned on 21 January 2022)

NOMINATION COMMITTEE

Dr. LOU Jing *(Chairman)*
Mr. PU Tianruo
Mr. NG, Joo Yeow Gerry (appointed on 21 January 2022)
Dr. WONG Da Silva Lap Yan Leo De Rothschild
(formerly known as Wong Lap Yan)
(resigned on 21 January 2022)

REGISTERED OFFICE (IN THE CAYMAN ISLANDS)

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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348 Kwun Tong Road
Kowloon,
Hong Kong SAR
PRC

HEADQUARTER

No. 3 A1, Road 10
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Shenyang
PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
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Wanchai, Hong Kong SAR
PRC

PRINCIPAL BANK

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Shenyang
PRC

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
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Hong Kong SAR
PRC

LEGAL ADVISERS

As to Hong Kong law and United States law:
Baker & McKenzie
14th Floor, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong SAR
PRC

As to PRC law:
Jingtian & Gongcheng
34th Floor, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District
Beijing
PRC

As to Cayman Islands law:
Conyers Dill & Pearman
29th Floor, One Exchange Square
8 Connaught Place
Central
Hong Kong SAR
PRC

SECURITIES CODES

Shares Listing
Ordinary Shares
The Stock Exchange of Hong Kong Limited
(Stock Code: 01530)

Convertible Bonds Listing
EUR289,000,000 Zero-Coupon Convertible Bonds due 2025
The Stock Exchange of Hong Kong Limited
(Convertible Bonds Code: 40285)

COMPANY'S WEBSITE

www.3sbio.com

Financial Highlights

	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022 RMB'000**
Revenue	4,583,869	5,318,089	5,587,636	6,382,009	**6,859,433**
Gross Profit	3,706,614	4,392,742	4,524,725	5,275,723	**5,671,904**
Research and Development Costs	362,706	526,565	590,343	753,872	**693,172**
EBITDA	1,892,824	1,581,855	1,343,011	2,174,961	**2,602,982**
Normalized EBITDA	1,781,760	2,000,485	1,606,119	2,190,250	**2,796,255**
Net Profit attributable to owners of the parent	1,277,167	973,715	835,791	1,651,247	**1,914,885**
Normalized Net Profit attributable to owners of the parent	1,166,104	1,392,345	1,166,371	1,726,950	**2,162,807**
Net Cash Flows from Operating Activities	1,150,251	1,887,384	1,344,561	1,578,345	**2,180,278**
Gearing Ratio (excluding Convertible Bonds)	11.2%	4.8%	3.2%	2.1%	**14.7%**
Total Assets	13,839,655	14,809,306	17,678,195	19,212,575	**21,988,704**
Total Liabilities	4,932,285	4,449,987	4,584,860	4,554,778	**6,588,254**
Total Equity	8,907,370	10,359,319	13,093,335	14,657,797	**15,400,450**

Chairman's Statement

Honored Shareholders:

On behalf of the board of directors (the "**Directors**") of the Company (the "**Board**"), I am delighted to present the annual results for the financial year ended 31 December 2022.

In 2022, the Group's total revenue reached a new high and its performance continued on a upward track. The Group overcame external difficulties in major business areas and enhanced internal granular management. The four core business segments achieved remarkable results and progress, and continued dividends payout to the shareholders of the Company to share growth success.

Clinical stage R&D progress

Currently, there are 31 product candidates in the Group's R&D pipeline. In 2022, key marketing applications and phase III clinical progress include:

- Multiple marketing applications have been accepted by the PRC National Medical Products Administration ("**NMPA**") for review, including: TPIAO (TPO) in pediatric immune thrombocytopenia ("**ITP**") indication, Minoxidil foam formulation (MN709), and Nalfuraphine hydrochloride (TRK820) indicated for dialysis pruritus;

- For NuPIAO (EPO, SSS06), the Group has kicked off a phase III clinical trial, and completed its patient enrollment before the end of 2022;

- For Nalfuraphine hydrochloride orally disintegrating tablets (TRK820), phase III clinical trial application for improving pruritus in chronic liver diseases patients was accepted for review;

- For anti-interleukin ("**IL**") 17A mAb (608), the patient enrollment of phase III trial has been completed.

In addition, the anti-TNF α pre-filled aqueous injection solution of Yisaipu (301S) has completed all the New Drug Application ("**NDA**") applications in 2022 and was approved by the NMPA in March 2023.

In 2022, the Group made a number of progress in phase I and phase II clinical trials, of which,

- Anti-IL1 β mAb (613): An investigational new drug ("**IND**") approval from the NMPA for acute gout ("**AG**") indication was received, and the patient enrollment of phase Ib/II trial has been completed;

- HIF-117 (SSS17): A phase II clinical trial of SSS17 to treat anemia patients has been initiated;

- Anti-IL5 mAb (610): The phase II clinical study for 610 in refractory eosinophilic asthma indication is in the process of patient enrollment; and

- Anti-IL4R α mAb (611): A dose-escalating phase Ia clinical trial in healthy volunteers has been completed in the U.S.. The phase II study in patients with atopic dermatitis ("**AD**") in Mainland China has completed patient enrollment. The indication of chronic rhinosinusitis with nasal polyps (CRSwNP) was approved by the NMPA to enter into phase II clinical trial.

Global strategic partnerships

In 2022, the Group focused on the themes of "global innovation" and "fields synergy", placing equal emphasis on both "bringing in" and "going global". The Company's subsidiary, Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. ("**Sunshine Guojian**"), granted the world-wide development and commercialization rights of Cipterbin antibody sequence for antibody-drug conjugate (ADC) to Chengdu Kelingyuan Pharmaceutical Technology Co., Ltd. (成都科嶺源醫藥技術有限公司) ("**Kelingyuan**"). According to the agreement, Sunshine Guojian received an upfront payment, and may receive R&D milestone payments and sales milestone payments, as well as sales-based royalty from Kelingyuan after future products launch.

On the going-global side, the global right of the anti-PD-1 mAb (609A), proprietarily developed by the Group, for use in a specific combination therapy (tumor immuno-therapy Syncrovax) was granted to Syncromune Inc. ("**Syncromune**") in the U.S.. The Group may receive payments totaling several hundreds of millions of United States Dollars ("**USD**") including an upfront payment, milestone payments, and other incentives. In addition, the phase III clinical trial for the uricase product, SSS11, licensed to Selecta/Sobi by us, has been successfully completed in the United States and globally. The Group is expected to receive payments for the drug substance supply, milestone payment for marketing application and profits share from later sales.

On the bringing-in side, in 2022, the Group acquired from Cosmo Pharmaceuticals N.V. ("**Cosmo**") the exclusive right to develop and commercialize Winlevi®, the world's first marketed topical androgen receptor inhibitor to treat acne, in Greater China, as well as a right of first refusal for an exclusive license for Breezula®, a phase III ready product to treat alopecia, in Greater China.

MSCI ESG

For the past three years, the Group has been improving its ESG work and corporate governance. In 2022, the Group's MSCI ESG rating has been raised to AA-level, outperforming 88% of the rated global biotech peers.

Looking forward, the Group, in its marketing, will respond strongly to the government's call for medical security going deep. Guided by the principle "making high quality drugs being generally available to patients", the Group will invest more resources in the grassroots market, and consistently promote optimizing drug use structure for chronic diseases.

In R&D innovation, the Group balances between the innovative aspect and cost control aspect of domestic innovative bio-pharmaceuticals, and prioritizes those pipeline candidates with excellent clinical results and ahead-of-peers progress and advances them towards market launch. In terms of new drug development strategy, we earnestly start off with efficacy demand, while positioning in innovation.

In business development, the Group focuses on the fields of nephrology, autoimmune disease, and skin/hair. Leveraging our cash advantage, we keep search for good candidates, to fill clinical needs and expand product matrix.

In external collaboration, the Group actively seeks global partners, consistently promotes out-licensing of leading pipeline candidates, and welcomes competition and rewards in the global market.

Finally, on behalf of 3SBio, I would like to give my sincerest thanks to all our valued stakeholders — patients, medical workers, employees and shareholders of the Company — for supports to our efforts for greater company strengths and better care to patients.

Dr. LOU Jing
Chairman & Chief Executive Officer
21 March 2023

Management Discussion and Analysis

BUSINESS REVIEW

Key Events

Anti-PD1 mAb Out-licensed to Syncromune

As announced on 4 January 2022, Sunshine Guojian entered into a licensing agreement with Syncromune, a bio-pharmaceutical company headquartered in the U.S., to develop and commercialize Sunshine Guojian's anti-PD1 mAb (Group R&D code: 609A) for use with Syncrovax™ immuno-oncology combination therapy worldwide. As part of the partnership, Sunshine Guojian received an upfront payment and may receive future regulatory and sales milestone payments and other incentives; Syncromune acquired the global development and commercialization right of 609A for its Syncrovax™, while Sunshine Guojian still holds all the global rights beyond Syncrovax™.

Application for the Market Launch of 5% Minoxidil Foam

As announced on 11 January 2022, the application for the market launch of 5% Minoxidil Foam submitted to the PRC NMPA was accepted for the treatment of androgenetic alopecia. 5% Minoxidil Foam is the new-generation anti-hair loss and hair growth product of the Group, which is expected to be the first minoxidil foam approved for market launch in Mainland China. The application was based on a multi-centered, double-blind, randomized controlled clinical trial on patients with androgenetic alopecia to assess 5% Minoxidil Foam and ROGAINE®. The trial result shows that the efficacy of 5% Minoxidil Foam is equivalent to that of ROGAINE® and there is similarity between the two in terms of safety and tolerability.

Application for Market Launch of TPIAO in Pediatric ITP Indication

In November 2022, the supplemental NDA of TPIAO was accepted by the NMPA in pediatric ITP indication. As announced on 10 May 2022, a multi-center, randomized, double-blind, placebo-controlled study on the safety, efficacy, and pharmacokinetics of rhTPO injection in children or adolescents with chronic primary ITP achieved the pre-defined primary endpoint.

Cipterbin® (Inetetamab) Out-licensed to Kelingyuan

In June 2022, Sunshine Guojian signed a licensing cooperation agreement with Kelingyuan, to grant the world-wide development and commercialization rights of Cipterbin antibody sequence for antibody-drug conjugate (ADC) to Kelingyuan (the "**ADC Program**"). According to the agreement, Sunshine Guojian received an upfront payment, and may receive R&D milestone payments and sales milestone payments, as well as sales-based royalty from Kelingyuan after the future product launch, while Sunshine Guojian retains all the rights in Cipterbin beyond the ADC Program.

Acquired from Cosmo the Exclusive Right to Develop and Commercialize Acne Drug in Greater China and a Right of First Refusal (ROFR) for Hair Drug

In July 2022, 3SBio and Cosmo signed a license agreement. 3SBio shall receive from Cassiopea, a subsidiary of Cosmo, the exclusive right to develop and commercialize Winlevi®, the world's first marketed topical androgen receptor inhibitor to treat acne, in Greater China. 3SBio paid Cosmo an upfront payment and shall pay potential development and sales milestone payments and royalties on annual net sales. The agreement also includes a right of first refusal for an exclusive license for Breezula®, a phase III ready product to treat alopecia, in Greater China.

Arbitration of Sunshine Guojian

In September 2020, pursuant to the termination provisions under a cooperation agreement executed in December 2015 (the "**Aohai Agreement**") with Aohai Biotechnology (Shanghai) Co., Ltd. ("**Aohai**"), Sunshine Guojian served a written termination notice to Aohai to terminate the Aohai Agreement, as Aohai failed to meet the timeline in accordance with the terms of the Aohai Agreement. In July 2021, Aohai filed an arbitration application with Shanghai International Economic and Trade Arbitration Commission regarding the termination and the application has been accepted. As shown in Aohai's amended arbitration application in December 2022, Aohai claims for compensation in the revised amount of approximately RMB401.02 million. The management of Sunshine Guojian considers such claim was without basis and in bad faith. As at the date of this annual report, the arbitration is still ongoing.

The Directors have made an overall analysis including obtaining a legal opinion from the Group's PRC legal counsel, according to which, the possibility of payable compensation is remote. There was no significant impact to the consolidated financial statements as at 31 December 2022.

For certain other key events, please refer to, hereinafter:

- the following two subsections under "REPORT OF DIRECTORS — PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES":
    - "**CS Sunshine Transactions**";
    - "**Repurchase and Cancellation of Convertible Bonds**"
- "Corporate Governance Report - **CHANGE IN CONSTITUTIONAL DOCUMENTS**" section

Management Discussion and Analysis

Key Events after the Reporting Period

Termination of Exclusive License Agreement with Astrazeneca in respect of Byetta and Bydureon

Due to further streamlining in respect to the licensed products under an exclusive license agreement with AstraZeneca[3], Hongkong Sansheng Medical Limited ("**Hongkong Sansheng**"), a wholly-owned subsidiary of the Company, and AstraZeneca entered into a termination agreement on 28 February 2023 to agree that, with effect from 31 December 2023, the exclusive license agreement shall be terminated and the commercialization of the licensed products thereunder shall cease, except that the distribution by the third party distributors of Byetta licensed products acquired by such third party distributors prior to 31 December 2023 shall cease on 31 August 2025. For further details, please refer to the announcements of the Company dated 11 October 2016 and 28 February 2023.

Key Products

— Bio-pharmaceuticals

TPIAO

TPIAO is the Group's self-developed proprietary product, and has been the only commercialized rhTPO product in the world since its launch in 2006. TPIAO has been approved by the NMPA for two indications: the treatment of chemotherapy-induced thrombocytopenia ("**CIT**") and ITP. TPIAO has the advantages of higher efficacy, faster platelet recovery and fewer side effects as compared to alternative treatments for CIT and ITP.

TPIAO has been listed on the National Reimbursement Drug List ("**NRDL**") as a Class B Drug for the treatment of severe CIT in patients with solid tumors or ITP since 2017. In the "Guidelines of CSCO — Cancer Therapy Induced Thrombocytopenia ("**CTIT**") (2022)"[4], rhTPO is listed as a treatment choice with the highest level recommendation, the Grade I recommendation. According to the "Chinese Guideline on the Diagnosis and Management of Adult Primary Immune Thrombocytopenia (2020 version)"[5], rhTPO is one of the primary treatments for ITP emergency cases and is the first choice recommendation in the second line treatments list for both ITP and ITP in pregnancy. In "Consensus on the Clinical Diagnosis, Treatment, and Prevention of Chemotherapy-Induced Thrombocytopenia in China (2019 version)"[6], rhTPO is one of the primary treatments for CIT. rhTPO has also received similar professional endorsements in several national guidelines and experts consensus on treating certain other diseases in Mainland China.

3 AstraZeneca refers to the applicable subsidiaries of AstraZeneca PLC
4 Issued by the Chinese Society of Clinical Oncology ("**CSCO**")
5 Issued by the Thrombosis and Hemostasis Group of the Chinese Society of Hematology of the Chinese Medical Association (the "**CMA**")
6 Issued by the Society of Chemotherapy, China Anti-Cancer Association; and Committee of Neoplastic Supportive-Care (CONS), China Anti-Cancer Association

On 18 January 2023, TPIAO was listed on the 2022 NRDL through negotiation. Future growth of TPIAO may be driven by: 1) the enhanced market position as for inpatients attributable to its safety and efficacy, and its continually supplanting traditional IL platelet-raising drugs in clinical use; 2) the continued increase in the number of hospitals covered; and 3) the expansion of indications. The Group estimates that the penetration rates for CIT and ITP indications in Mainland China are in the range of approximately 25% to 35%. In 2022, its market share for the treatment of thrombocytopenia in Mainland China was 26.2% in terms of sales volume and 64.8% in terms of sales value. As announced on 10 May 2022, the phase III clinical trial of TPIAO in the pediatric ITP indication achieved the pre-defined primary endpoint, and the Group has submitted the supplemental NDA to the NMPA in November 2022. A phase Ib/II clinical trial for TPIAO in patients with chronic hepatic dysfunction at the risk of thrombocytopenia has been completed, and the Group is commencing preparation for Phase III clinical trial. Outside of Mainland China, TPIAO has been approved in nine countries, including the Philippines and Thailand. Currently, TPIAO is in the process of registration in several countries in Asia, Africa and South America.

EPIAO

EPIAO is approved by the NMPA for the following three indications: the treatment of anemia associated with chronic kidney disease ("**CKD**"), the treatment of chemotherapy-induced anemia ("**CIA**"), and the reduction of allogeneic blood transfusion in surgery patients. EPIAO has been listed on the NRDL as a Class B Drug for renal anemia since 2000, and, additionally, for CIA in patients with non-hematological malignancies since 2019. EPIAO has also been listed on the 2018 National Essential Drug List. EPIAO has consistently been the premier market leader in the Mainland China rhEPO market since 2002 in terms of both sales volume and sales value. EPIAO and SEPO together claim a majority market share of the Mainland China rhEPO market at 10,000 IU dosage. The Group believes that, 1) the continuous expansion of the dialysis market; 2) the improvement of anemia treatment standards; 3) the improvement of the diagnosis and treatment rate of cancer anemia; and 4) the proactive going-deep strategy in the lower-tier market, will continue to drive the further growth of its erythropoietin products. In Mainland China, for NuPIAO (SSS06), a second-generation long-acting rhEPO to treat anemia, the patient enrollment of a phase III trial has been completed; and, for RD-01, a pegylated long-acting rhEPO, the Group plans to commence the phase III trial in the second half of 2023. Outside of Mainland China, EPIAO has been approved in 23 countries, including Brazil, Thailand and Pakistan. The multi-center biosimilar clinical trials for EPIAO in Russia and Thailand were completed in 2021. EPIAO demonstrated promising effectiveness and manageable safety in patients with end-stage renal disease on hemodialysis. EPIAO is in the process of registration in several countries.

Yisaipu

Yisaipu (Recombinant Human TNF -α Receptor II: IgG Fc Fusion Protein for Injection), is a TNF α inhibitor product. It was first launched in 2005 in Mainland China for RA. Its indications were expanded to ankylosing spondylitis ("**AS**") and psoriasis in 2007. Yisaipu has been listed on the NRDL as a Class B Drug since 2017 for RA and for AS, each subject to certain medical prerequisites, and additionally, since 2019 for the treatment of adult patients with severe plaque psoriasis. Yisaipu is the first-to-market TNF α inhibitor product in Mainland China that filled a gap among domestic peers in regard to the fully-human therapeutic antibody-drugs. Compared with competitors, the efficacy and safety of Yisaipu has been proven in the domestic market over 18 years. In "2018 China Rheumatoid Arthritis Treatment Guidance", an authoritative document issued by the CMA, Yisaipu was adopted under 'TNF α inhibitors' as one of the RA treatment options, and TNF α inhibitors was deemed as a group of biological agents with relatively sufficient evidence and relatively wide adoption in treating RA. TNF α inhibitors have been recommended in a number of professional guidelines, such as "EULAR Recommendations for the Management of Rheumatoid Arthritis with Synthetic and Biological Disease-Modifying Antirheumatic Drugs: 2022 Update", "Group for Research and Assessment of Psoriasis and Psoriatic Arthritis (GRAPPA): Updated Treatment Recommendations for Psoriatic Arthritis 2021" and "Recommendations for Diagnosis and Treatment of Ankylosing Spondylitis"[7]. With the increasing number of competitors and price adjustment of the Group's own accord, the market share of Yisaipu decreased, at 27.1% in the Mainland China TNF α market in 2022. The Group is working on: 1) promoting the concept of long-term treatment of chronic diseases to highlight efficacy and safety of Yisaipu through post-marketing clinical studies; 2) coverage of new patients; and 3) further expansion to lower-tier cities and hospitals. The NDA for the pre-filled aqueous injection solution of Yisaipu (Group R&D code: 301S) was re-submitted to the NMPA in July 2021. The application was approved by the NMPA in March 2023. The Group is of the view that the prefilled syringe of Yisaipu will improve patients convenience and contribute to further Yisaipu growth. Outside of Mainland China, Yisaipu has been approved in 15 countries, including Indonesia, the Philippines and Pakistan.

Cipterbin

Cipterbin (Inetetamab) is the first innovative anti-HER2 mAb in Mainland China with the engineered Fc region and optimized production process. Sunshine Guojian independently developed this product based on its proprietary technology platform. It was approved by the NMPA in June 2020 for treatment of HER2-positive metastatic breast cancer in combination with chemotherapy, as it was proven to be capable of delaying the disease progression for, and bringing survival benefits to, HER2-positive metastatic breast cancer patients. Cipterbin has been listed on the NRDL since 2020. Inetetamab has been included in several clinical guidelines and experts consensus. According to the "Guidelines of CSCO — Breast Cancer (2022 edition)", Inetetamab (Cipterbin) is listed as a treatment choice with the highest level recommendation, the Grade I recommendation, for patients with HER2-positive advanced breast cancer. Under the revised recommendation, the number of Inetetamab-applicable patients increase significantly. According to "Diagnosis and Treatment Guidelines of Breast Cancer (2022 edition)" issued by the PRC National Health Commission, Inetetamab (Cipterbin) is one of the treatments of advanced breast cancer. In "Efficacy and Safety of Inetetamab in combination with Chemotherapy as First-Line Treatment of HER2-Positive Metastatic Breast Cancer: A Subgroup Analysis in the HOPES Study"[8], Inetetamab has shown efficacy and safety equivalent to trastuzumab for patients in the first-line treatment of post-operative recurrence-metastases HER2-positive breast cancer, which validates its importance and potential as first-line treatment. Through multiple post-marketing studies, real-world studies and prospective clinical studies, the Group is actively building a new chain of evidence for the first-line treatment of Inetetamab in HER2-positive advanced breast cancer. In 2022, the sales coverage of Cipterbin extended to more than 1,300 hospitals in Mainland China, which represents an increase of approximately 710 hospitals from 2021.

7 Issued by Chinese Rheumatology Association of the CMA, Chin J Intern Med, August 2022, Vol. 61, No. 8

8 Published in Translational Breast Cancer Research, 2022

— Small Molecules

Mandi

Mandi, generically known as minoxidil tincture, was launched in 2001 as the first over-the-counter ("**OTC**") drug in Mainland China for androgenetic alopecia ("**AGA**") and alopecia areata. Minoxidil is the world's only topical OTC drug for male and female alopecia that is approved by the U.S. Food and Drug Administration ("**FDA**") as well as the NMPA. The topical minoxidil can promote hair growth through: 1) promoting angiogenesis to increase regional blood supply and dilate scalp vascular, so as to improve microcirculation; 2) directly stimulating proliferation and differentiation of hair follicle epithelial cells to extend hair growth cycle; and 3) regulating the balance between calcium ion and potassium ion. In the "Guideline for Diagnosis and Treatment of Androgenetic Alopecia" issued by Chinese Medical Doctor Association, minoxidil receives the highest endorsement level, as it is superior to other AGA treatments in terms of anti-alopecia and improvement effects and safety. In "Chinese Experts Consensus on the Diagnosis and Treatment of Female Androgenetic Alopecia (2022 edition)", 5% minoxidil receives the highest endorsement level in female androgenetic alopecia (FAGA).

According to the CPA's data, Mandi has a market share of 71.7% in Mainland China in 2022, with a year-on-year growth of 48.1% in sales value. The sales coverage of Mandi currently extends to more than 2,000 medical institutions in Mainland China, and strategic cooperation with Yonghe Hair Transplant, a hair transplant chain, is established. Meanwhile, the sales channels of Mandi also cover nearly 100,000 retail pharmacies, as well as Internet sales platforms, such as Tmall and JD.com, etc.. The Group will continue to drive the future growth of Mandi through the following channels: 1) coverage expansion in medical institutions. The medical institutions have seen Mandi's safety and effectiveness tested for more than ten years, with more than one million patients treated. The continuous building of hospital channels will enhance the professional status of Mandi's brand, and will also help to convert high loyalty customers for retail and e-commerce channels. For 2022, the revenue of Mandi from medical institutions accounted for approximately 14% of Mandi total revenue, and it recorded year-on-year growth of approximately 2%; 2) coverage expansion in retail pharmacies. As Mandi currently has low coverage in retail pharmacies, there is potential for improvement. For 2022, the revenue of Mandi from retail pharmacies accounted for approximately 25% of Mandi's total revenue, and it recorded year-on-year growth of approximately 65%. It is expected that the coverage of retail pharmacies will be expanded through marketing activities; 3) online brand operation. Mandi has been launched in online stores such as AliHealth Pharmacy, JD Pharmacy and brand flagship stores. The digital marketing system accurately reaches and converts potential customers, and the fine-tuned operation in and outside websites will continuously boost consumption on e-commerce platforms. For 2022, the revenue of Mandi from e-commerce accounted for approximately 60% of Mandi total revenue, and it recorded year-on-year growth of approximately 58%; 4) potential launch of new product formulation. The phase III study of the foam form of Mandi, comparing head-to-head in male hair loss patients to ROGAINE®, the leading minoxidil drug in the U.S., has been successfully completed, showing Mandi foam being of equivalent efficacy and similar safety and tolerability. The application for market launch of Mandi foam was accepted by the NMPA, as announced on 11 January 2022. If approved, Mandi will likely be the only minoxidil foam in the Mainland China market, which will significantly improve its market competitiveness.

In Mainland China, the current penetration rate of Mandi is only 2–3% among the 250 million hair loss population. The Group focuses on greater brand promotion of Mandi and on improving recognition of drug treatment effectiveness for hair loss. The Group believes that with greater promotion, the enhanced penetration rate will continue to expand the market potential of Mandi.

— CDMO Business

The Group's CDMO business currently comprises Northern Medicine Valley Desen (Shenyang) Biologics Co., Ltd. ("**Desen Biologics**"), Shanghai Shengguo Pharmaceutical Development Co., Ltd. ("**SIGO Biologics**"), Guangdong Sunshine Pharmaceutical Co., Ltd. and Sirton Pharmaceuticals S.p.A. ("**Sirton**") in Italy, all being the Group's subsidiaries. Among them, Desen Biologics has a total planned area of 500 Chinese mu, designed as a biopharmaceutical CDMO base, a manufacturing base of biopharmaceutical raw and auxiliary materials and consumables, and a biopharmaceutical core process equipment base that are domestically-leading, oriented to the international market and are compliant with relevant Chinese, EU and U.S. Good Manufacturing Practice ("**GMP**") regulations. The first phase of Desen Biologics covers an area of over 110 Chinese mu, and plans to build a production line with 199,000 liters of Drug Substance ("**DS**") and a cumulative capacity of 100 million doses/year for Drug Product ("**DP**"). The 76,000 liter DS and DP manufacturing capacity for the first phase of the project has commenced to be successively certified and put into operation since 2023.

The Group provides contract development and manufacturing services of biologics expressed by microbial and mammalian cells, including mAb, bispecific antibody, neutralization antibody, as well as vaccine. The Group's technology platforms provide services for cell and gene therapy products, including plasmid, mRNA nucleic acid drugs and virus vector. The full-process requirements of biologics are covered from DNA sequence, cell bank and Chemistry Manufacturing and Control (CMC) to DS/DP production for clinical trials, registration supports and commercial production. The production lines are equipped with reactors of various scales, with single-unit specifications of stainless steel systems and single-use bioreactors ranging from 10L to 10KL, which can meet different requirement scenarios from small batch sample testing at the R&D stage to mass commercial production. The total capacity of the production lines exceeds 200 million doses of formulation, covering the main forms of biologics such as liquid vials, freeze-dry powder injections and pre-filled injections. The Group's CDMO lines have received GMP certifications in Mainland China, Colombia, certain Pharmaceutical Inspection Co-operation Scheme (PIC/S) members, the EU (in regard to Sirton) and other countries; and have successfully passed all regulatory reviews, including multiple unannounced inspections, as well as quality audits by domestic and international customers.

The Group believes that it possesses various competitive advantages in the CDMO business, including the technological advantages associated with engaging in the whole process spanning from R&D to production of biopharmaceutical products over the years; the scalable cost advantages of a single 10,000 liter bioreactor for commercial production; the production cost advantages brought by the capability to manufacture raw materials such as culture medium and chromatographic filler; and the quality control management advantage with high level of automation. In 2022, the Group's CDMO business completed orders of approximately RMB165.9 million, with signed orders valuing over RMB100 million. The Group's customers include leading domestic and international pharmaceutical companies and biotechnology companies, with services encompassing various steps from pre-clinical stage to commercialization for drugs.

Key Product Candidates

Remitch

In December 2021, the NDA of nalfuraphine hydrochloride orally disintegrating tablets (Group R&D code: TRK-820, marketed in Japan as "Remitch" since 2009) in collaboration with Toray Industries Inc. ("**Toray**") was accepted for review by the NMPA. The Group is actively preparing for the product launch. In December 2017, Toray granted to the Group the exclusive right to develop and commercialize TRK-820 in Mainland China.

According to the results of the global survey DOPPS (Dialysis Outcomes and Practice Patterns Study), as high as 39% of hemodialysis patients in Mainland China are suffering from moderate or more severe level of skin itching, and patients suffering from severe or acutely severe skin itching are up to 19%. Pruritus and the accompanying persistent sleep obstacles have become one of the important causes of depression suffered by hemodialysis patients; there is also a clear correlation between the state of depression and the increased death rates in hemodialysis patients. At present, while antihistamines is one of the most commonly used drugs for treatment of skin pruritus in Mainland China, it is not very effective for treating hemodialysis pruritus, and using antihistamines alone is quite difficult to improve their quality of life effectively. The therapeutic effect of other treatments ranging from local phototherapy to skin lubricants, topical hormones, oral gabapentin or pregabalin is limited. For those hemodialysis patients who do not experience satisfactory results from such treatments for pruritus, there is presently no effective treatment method.

TRK-820 is a highly selective κ (kappa)-opioid receptor agonist developed by Toray. The soft capsule dosage-form of the TRK-820 has been launched in Japan since 2009 and in South Korea since 2016 to treat hemodialysis pruritus, which is limited to circumstances where current treatments do not produce satisfactory results. Additional indications of TRK-820, including pruritus in chronic liver disease patients and pruritus in peritoneal dialysis patients, were approved in Japan in 2015 and 2017, respectively. The orally disintegrating tablet was approved and launched in Japan in 2017. The orally disintegrating tablet can be taken with or without water, which is particularly suitable for patients whose swallowing capabilities have deteriorated or those who have restrictions on water intake, and therefore is expected to improve drug intake compliance of patients. According to the results of the Group's bridging clinical study, doses of 5μg and 2.5μg of nalfuraphine hydrochloride orally disintegrating tablets can safely improve the symptoms of hemodialysis patients with refractory pruritus when compared with the placebo. TRK-820 is the first drug in Mainland China targeting hemodialysis pruritus with an expected early market launch, and is expected to alleviate the pruritus symptoms and improve patient quality of life, thereby bringing benefits to the large number of hemodialysis pruritus patients in Mainland China.

In addition, the clinical trial application of TRK-820 for improving pruritus in chronic liver diseases patients (only in cases where the existing treatment efficacy is unsatisfactory) was also accepted by the NMPA in February 2023. In the field of liver diseases, chronic liver diseases patients, such as hepatitis, cirrhosis and obstructive jaundice, often experience intensive pruritus through the body. In addition, the primary biliary cholanitis is a disease characterized by pruritus. Pruritus can seriously affect patients' activity and sleep. The pruritus caused by chronic liver diseases is believed to be related to a number of factors, and it is completely ineffective for certain patients treated with antihistamines, anti-allergic drugs and anion exchange resin. Such symptom is known as "refractory pruritus". According to the data of epidemiological investigation, more than one fifth of the population in Mainland China are suffering from liver diseases, including approximately 90 million chronic hepatitis B virus (HBV) infection patients, approximately 10 million chronic hepatitis C virus (HCV) infection patients, approximately 7 million cirrhosis patients, approximately 173 to 310 million non-alcoholic fatty liver patients, approximately 62 million alcoholic liver disease patients, and approximately 460,000 liver cancer patients. Among them, skin itch occurs in 20% ~ 70% of primary biliary cirrhosis patients, 20% ~ 60% of primary sclerosing cholanitis patients, 20% ~ 50% of jaundice patients, 5.1% ~ 58.4% of HCV viral infection patients, and 8% ~ 36.2% of HBV viral infection patients. It was reported that existing anti-pruritics drugs are ineffective for 57.8% of pruritus patients. The Group will actively advance clinical development for this indication in Mainland China to meet the clinical needs of Chinese patients.

This product candidate is at an early stage of pharmaceutical development. For risks associated with pharmaceutical development, please refer to, under the heading "Principal Risks and Uncertainties" in this annual report, "If the Group fails to develop and commercialize new pharmaceutical products, its business prospects could be adversely affected".

Winlevi®

In the second half of 2022, 3SBio officially commenced the preparation work for IND application of 1% clascoterone cream (Group R&D code: WS204), a collaboration product with Cosmo. In July 2022, 3SBio received from Cassiopea, a subsidiary of Cosmo, the exclusive right to develop and commercialize Winlevi®, to treat acne, in Greater China.

According to the data of Chinese Guidelines for the Treatment of Acne: 2019 Revised Version, more than 95% of Chinese suffer from different degrees of acne; 3% ~ 7% of acne patients incur scars on faces, which affects physical and mental health of acne patients. According to Frost & Sullivan, in 2018, there were over 100 million Chinese patients aged between 10 and 25 with acne vulgaris, while their drug treatment rate was at a low level, signaling that China's traditional therapeutic drugs failed to meet the clinical needs of these patients. The symptoms of acne severely affect the appearance of the patients and burden them psychologically, causing social, work and life barriers. An effective acne drug as treatment is required to help relieve patients from this skin disease.

WS204 (1% Clascoterone) cream is the world's first marketed topical androgen receptor (AR) inhibitor, developed by Cosmo for the patients with acne vulgaris aged 12 and above. Winlevi® has been approved by the U.S. FDA in November 2021. It is the first acne drug with a new mechanism of action (MOA) approved by the FDA in the past 40 years, which will provide an innovative and effective treatment for dermatologists and patients. Unlike oral hormones to treat acne, 1% clascoterone cream can be used by both male and female patients. According to Cosmo's public disclosure, Winlevi® has become the most prescribed branded topical acne drug in the U.S. market. As of the end of the third quarter 2022, there were more than 10,000 prescribers of Winlevi®, and this drug has generated more than 345,000 prescriptions in the U.S. market since its launch in November 2021. WS204 is expected to become the first AR antagonist for treating acne vulgaris in Mainland China, which may provide an innovative treatment option for hundreds of millions of acne patients, and contribute to better general skin health condition nationally.

This product candidate is at an early stage of pharmaceutical development. For risks associated with pharmaceutical development, please refer to, under the heading "Principal Risks and Uncertainties" in this annual report, "If the Group fails to develop and commercialize new pharmaceutical products, its business prospects could be adversely affected".

Research and Development

The Group's integrated R&D platform covers a broad range of technical expertise in the discovery and development of innovative bio-pharmaceutical and small molecule products, including antibody discovery, molecular cloning, antibody/protein engineering, gene expression, cell line construction, manufacturing process development, pilot and large scale manufacturing, quality control and assurance, design and management of pre-clinical and clinical trials, and regulatory filing and registration. The Group is experienced in the R&D of mammalian cell-expressed, bacterial cell-expressed and chemically-synthesized pharmaceuticals.

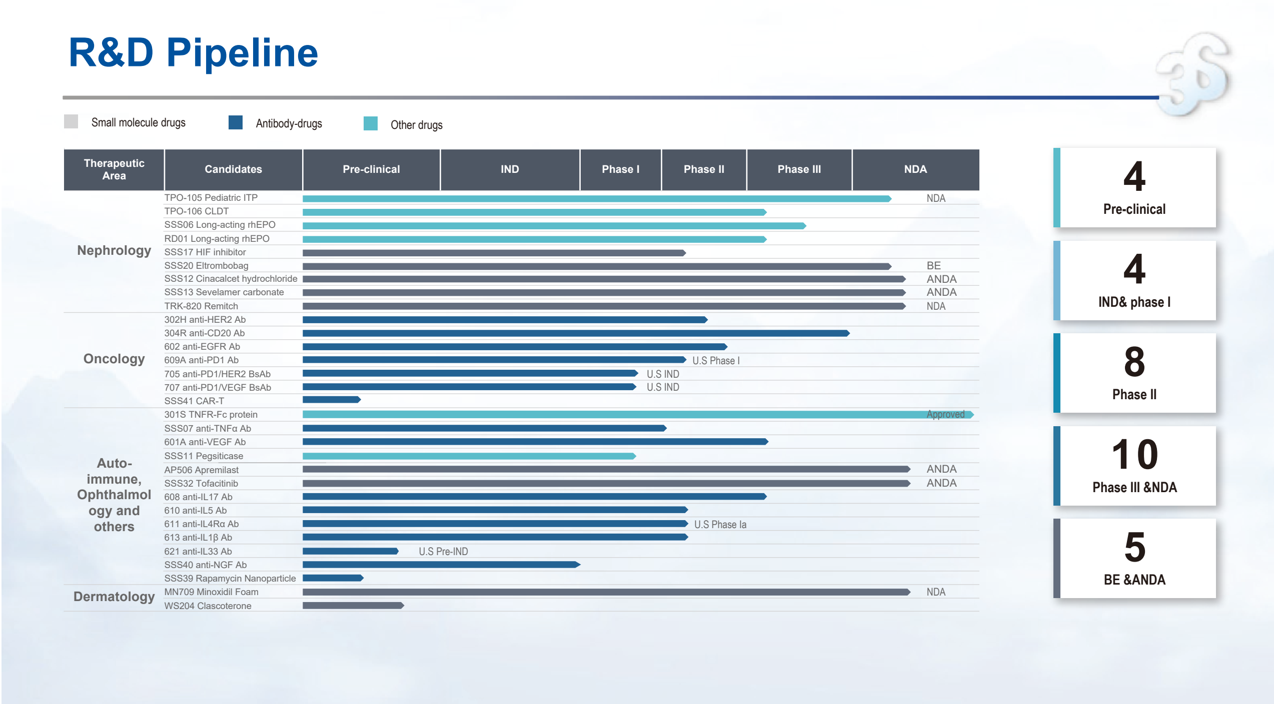
The Group focuses its R&D efforts on researching and developing innovative biological products as well as in small molecule therapeutics. Currently, the Group has several leading biological products in various stages of clinical development, including 301S (the pre-filled aqueous injection solution of Yisaipu), 608 (an anti-IL-17A antibody to treat autoimmune and other inflammatory diseases), SSS06 (NuPIAO, a second-generation rhEPO to treat anemia), 611 (an anti-IL4R α antibody to treat atopic dermatitis), RD-01 (a pegylated long-acting rhEPO to treat anemia), SSS07 (an anti-TNF α antibody to treat RA and other inflammatory diseases), pegsiticase (a modified pegylated recombinant uricase from candida utilis to treat refractory gout), 601A (an anti-vascular endothelial growth factor ("**VEGF**") antibody to treat AMD and other ophthalmological diseases), 610 (an anti-IL-5 antibody to treat severe asthma) and 613 (an IL-1ß antibody to treat AG arthritis). On the small molecule side, the Group is conducting clinical trials of two innovative products: nalfurafine hydrochloride (TRK-820, a highly selective kappa receptor agonist) to treat pruritus in hemodialysis patients, and HIF-117 capsule (SSS17, a selective small molecule inhibitor to hypoxia inducible factor ("**HIF**") proline hydroxylase) to treat anemia. In addition, the Group is actively preparing for the bridging clinical trial application in Mainland China for clascoterone cream (Winlevi) in acne indication, and performing bio-equivalency studies of a number of generic small molecule products in the field of nephrology, autoimmune and dermatological diseases.

On the research front, the Group is engaged in developing innovative biological products, including mAbs, bi-specific antibodies and fusion proteins, and a number of small molecule drugs, both innovative and generic, in the areas of nephrology, oncology, auto-immune and inflammatory diseases, ophthalmology and dermatological diseases.

The Group's R&D team, consisting of nearly 600 experienced scientists, is working diligently to research and discover new medicines, to accelerate the progress of clinical development, and to bring breakthrough therapies to fulfill the unmet medical needs of patients.

Product Pipeline

As at 31 December 2022, amongst the 31 product candidates within the Group's active pipeline, 26 were being developed as innovative drugs in Mainland China. Out of these 31 product candidates, 16 are antibodies, 6 are other biologic products, and 9 are small molecule entities. The Group has 7 product candidates in oncology; 13 product candidates that target auto-immune diseases including RA and other diseases including refractory gout and ophthalmological diseases such as AMD; 9 product candidates in nephrology; and 2 product candidates in dermatology.



Key Product Developments

— New Drug Application submission and phase III development

Anti-*TNF* α pre-filled aqueous injection solution of Yisaipu *(301S)*: The Group has re-submitted an NDA to the NMPA for manufacturing approval in July 2021. The application was approved by the NMPA in March 2023.

Minoxidil foam formulation *(MN709)*: The Group has completed a multi-centered, randomized, and double-blinded phase III study comparing head-to-head MN709 to ROGAINE® in male patients with hair loss. The study result shows that the efficacy of MN709 is equivalent to that of ROGAINE® and there is similarity between the two in terms of safety and tolerability. As announced on 11 January 2022, an NDA submitted to the NMPA was accepted for review.

Nalfuraphine hydrochloride *(TRK820)*: As announced on 21 July 2021, the randomized, double-blind, placebo-controlled multi-centered bridging clinical study on nalfuraphine hydrochloride orally disintegrating tablets for treatment of maintenance hemodialysis patients with refractory pruritus has reached the pre-set clinical study endpoint. The result indicates that the main efficacy indicators of the 5μg group and the 2.5μg group of this study have all been bridged successfully and these outcomes are consistent with the results of Japan's phase III trial. The NDA has been submitted to the NMPA and was accepted for review in December 2021. The phase III clinical trial application of TRK820 for pruritus in chronic liver diseases patients was accepted by NMPA for review.

TPIAO *(TPO)*: As announced on 10 May 2022, a multicenter, randomized, double-blind, placebo-controlled study on the safety, efficacy, and pharmacokinetics of rhTPO injection in children or adolescents with chronic primary ITP achieved the pre-defined primary endpoint. The Group has submitted the supplemental NDA to the NMPA in November 2022. A phase Ib/II clinical trial for TPIAO in patients with chronic hepatic dysfunction at the risk of thrombocytopenia has been completed, and the Group plans to commence a phase III trial within this year.

Pegsiticase *(SSS11)*: The Group is currently cooperating with its business partner Swedish Orphan Biovitrum AB (STO: SOBI) ("**Sobi**") in the United States to advance the phase III clinical trial of the combination therapy SEL-212 for chronic refractory gout. SEL-212 contains pegsiticase (also known as pegadricase, a recombinant enzyme that metabolizes uric acid). The Group will initiate a phase Ib clinical trial for SSS11 in patients with high uric acid level and medical history of gout symptoms in Mainland China within this year.

Anti-*VEGF* mAb *(601A)*: The Group has completed the phase II trials of 601A for AMD and diabetic macular edema (DME). The phase III trial on BRVO has been approved by the NMPA, with over 60 patients enrolled by February 2023.

NuPIAO *(EPO, SSS06)* : The Group has completed the patient enrollment of phase III clinical trial by the end of 2022.

Anti-*IL-17A* mAb *(608)*: The phase II trial of 608 in patients with plaque psoriasis has reached the primary end-point. The phase III trial has completed patient enrollment in April 2023.

Peg-EPO (RD-01): The Group has completed communications with the NMPA in respect of the RD-01 phase III clinical trial by early 2023, and plans to commence the phase III trial in the second half of 2023.

— Phase II development

Anti-*TNF* α mAb *(SSS07)*: The Group has resubmitted an IND application for a phase II trial in patients with RA, which has been approved.

Anti-*IL-1 ß* mAb *(613)*: The Group received an IND approval from the NMPA for 613 in AG indication in March 2022, and the patient enrollment of phase Ib/II trial has been completed. The phase III clinical trial of stage III AG arthritis is expected to initiate in the second half of 2023.

HIF-117 (SSS17): A phase II clinical trial of SSS17 to treat anemia patients has been initiated. SSS17 is a selective small molecule inhibitor to hypoxia inducible factor proline hydroxylase (HIF-PH), a molecule which can improve the stability and half-life period of hypoxia inducible factor-α (HIF-α), so as to motivate the secretion of erythropoietin (EPO). It is expected that SSS17 will have a synergistic effect with the Group's rhEPO injection drug in the future, providing patients with an alternative treatment option.

Anti-IL5 mAb (610): The phase II clinical study for 610 in refractory eosinophilic asthma indication is in the process of patient enrollment. The phase III clinical study of this indication is expected to initiate in the second half of 2023.

Anti-IL4R α mAb (611): A dose-escalating phase Ia clinical study in healthy volunteers has been completed in the U.S. The phase II study in patients with AD in Mainland China has completed patient enrollment in the first quarter of 2023. In the second half of 2023, the phase III clinical study of such indication is expected to initiate and the IND application of adolescent AD indication is expected to complete. The IND application for 611 in chronic rhinosinusitis with nasal polyps (CRSwNP) has been approved by the NMPA in April 2023 and shall commence phase II clinical trial in the near future.

— Phase I development and new IND applications

Anti IL-33 mAb (621): The pre-IND application in patients with chronic obstructive pulmonary disease (COPD) indication in Mainland China has been completed in the first quarter of 2023, and the IND approval is expected in the second half of 2023. The IND application for dose-escalating study in healthy volunteers in the U.S. is planned to complete in the first half of 2023.

Sales, Marketing and Distribution

The Group's sales and marketing efforts are characterized by a strong emphasis on academic promotion. The Group aims to promote and strengthen the Group's academic recognition and the brand awareness of its products among medical experts. The Group markets and promotes its key products mainly through its in-house team. The Group sells these products to distributors who are responsible for delivering products to hospitals and other medical institutions. Mandi is sold through retail pharmacies and online stores.

As at 31 December 2022, the Group's extensive sales and distribution network in Mainland China was supported by approximately 2,652 sales and marketing employees, 1,073 distributors and 1,963 third-party promoters. In 2022, the Group's products were sold in over 2,700 Grade III hospitals and over 6,300 Grade II or lower hospitals and medical institutions across all provinces, autonomous regions and special municipalities in Mainland China. In addition, TPIAO, Yisaipu, EPIAO, SEPO and some of the Group's other products are exported to a number of countries through international promoters.

Outlook

In 2022, the Group still proceeded with prudence and caution, taking adequate risk precautions for production and operations, with maximum safeguard for the normal production, transportation and sales of medicines, and providing timely, high-quality delivery of CDMO orders.

Looking forward in 2023, with the release of medical consumption demand, we expect that the demand for medicines will fully recover. In addition, the "National Reimbursement Drug List for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance (2022)"《國家基本醫療保險、工傷保險和生育保險藥品目錄(2022年)》has been issued officially by the National Healthcare Security Administration and the Ministry of Human Resources and Social Security of the PRC in 2023. Among the Group's products, Recombinant Human Thrombopoietin (TPIAO) and Inetetamab (Cipterbin) successfully re-entered the national medical insurance and made adjustments in part in relevant indications. Under the new medical insurance policy, the Group will continue to ensure the good order of production and quality control, and be diligent in its social responsibilities, and benefit more patients with high-quality and high-standard medicines.

The Group has been strongly confident in the domestic market potential of hair and skin drugs. In 2023, the Group will pursue unrelentingly the promotion and education for Mandi as a scientifically-proven drug for hair loss treatment, and enhance Mandi's brand recognition; the Group will also work on introducing a worldwide innovative acne drug, Clascoterone (WS204), in Mainland China, to provide more scientific treatment methods for domestic skin and hair patients.

Currently, with the expected gradual recovery of overseas liquidity and the consistency of national policies supporting pharmaceutical innovation, we expect that, in 2023, the investment and financing environment in the medical industry will continue to improve, and the driving force for R&D innovation in the domestic biopharmaceutical sector will persist. Leveraging on the Group's deep biopharmaceutical R&D experience and production capacity advantage, the Group will continue to empower many domestic biotechnology companies and expedite the launch of high-quality new domestic drugs. With a highly localized supply chain, the Group reduces the "stranglehold" risk imposed by overseas suppliers on the R&D of domestic customers, thereby maximizing the value of the Group's businesses and fostering new business growth points.

Regarding the R&D pipeline progress, a number of the Group's products are expected to be launched in 2023. Yisaipu's prefilled syringe can provide more convenience for hundreds of thousands medical professionals and patients. Mandi Foam is the only one of its kind domestically, adding a medication choice for hair loss patients with sensitive scalp. Once approved, Remitch (nalfuraphine hydrochloride orally disintegrating tablets) shall be the first and the only domestic drug indicated for dialysis pruritus, filling a gap in the dialysis pruritus treatment area, which may bring significant clinical benefits to millions of domestic nephrology and liver diseases patients.

From the perspective of clinical R&D strategy, the Group will continue to focus on four fields of its strength, namely, nephrology, autoimmune diseases, hair and skin, and oncology. In particular, the Group will fast-track the auto-immune products with R&D progress surpassing domestic peers; and supercharge the bridging clinical trials for Clascoterone cream in acne indication and Remitch in liver diseases pruritus, both with vast market potentials and targeting an extraordinary number of patients. The Group will focus on the overall R&D strategic set-up and move forward in fast pace. As for investment and merger and acquisition strategies, the Group will investigate thoroughly, evaluate with prudence, balance risks and returns, and strive to maximize the Group's advantages. Driven by the mission to make innovative bio-pharmaceuticals within reach, the Group desires to see the early launch of more high-quality products to benefit patients.

FINANCIAL REVIEW

Revenue

For the Reporting Period, the Group's revenue amounted to approximately RMB6,859.4 million, as compared to approximately RMB6,382.0 million for the year ended 31 December 2021, representing an increase of approximately RMB477.4 million, or approximately 7.5%. The increase was mainly attributable to the strong sales growth of TPIAO and Mandi.

For the Reporting Period, the Group's sales of TPIAO increased to approximately RMB3,397.2 million, as compared to approximately RMB3,080.0 million for the year ended 31 December 2021, representing an increase of approximately RMB317.2 million, or approximately 10.3%. The increase was primarily attributable to an increase in sales volume. For the Reporting Period, the sales of TPIAO accounted for approximately 49.5% of the Group's total revenue.

For the Reporting Period, the Group's combined sales of EPIAO and SEPO increased to approximately RMB1,129.5 million, as compared to approximately RMB1,119.7 million for the year ended 31 December 2021, representing an increase of approximately RMB9.8 million, or approximately 0.9%. For the Reporting Period, the Group's sales of EPIAO increased to approximately RMB843.2 million, as compared to approximately RMB833.7 million for the year ended 31 December 2021, representing an increase of approximately RMB9.5 million, or approximately 1.1%. For the Reporting Period, the Group's sales of SEPO increased to approximately RMB286.2 million, as compared to approximately RMB286.0 million for the year ended 31 December 2021, representing an increase of approximately RMB0.2 million, or approximately 0.1%. For the Reporting Period, the sales of EPIAO and SEPO accounted for a total of approximately 16.5% of the Group's total revenue.

For the Reporting Period, the Group's sales from alopecia area were approximately RMB907.5 million, as compared to approximately RMB619.4 million for the year ended 31 December 2021 representing an increase of approximately RMB288.1 million, or approximately 46.5%. The increase was mainly attributable to the increased market demand for hair loss and growth treatments, which was driven by the Group's diversified and effective promotional efforts. For the year ended 31 December 2022, the Group's sales of Mandi increased to approximately RMB890.9 million, as compared to approximately RMB601.6 million for the year ended 31 December 2021, representing an increase of approximately RMB289.3 million, or approximately 48.1%. For the Reporting Period, the sales from alopecia area accounted for approximately 13.2% of the Group's total revenue.

For the Reporting Period, the Group's sales of Yisaipu decreased to approximately RMB511.6 million, as compared to approximately RMB788.7 million for the year ended 31 December 2021, representing a decrease of approximately RMB277.1 million, or approximately 35.1%. The decrease was mainly attributable to lower sales volume as caused by the decrease in medical consultation demand. For the Reporting Period, the sales of Yisaipu accounted for approximately 7.5% of the Group's total revenue.

For the Reporting Period, the Group's revenue from CDMO business and licensing revenue increased to approximately RMB165.9 million, as compared to approximately RMB110.9 million for the year ended 31 December 2021, representing an increase of approximately RMB55.0 million, or approximately 49.6%. The increase was mainly attributable to the increased CDMO orders from customers.

For the Reporting Period, the Group's other sales, which primarily consisted of sales from Cipterbin, Sparin (an injectable low-molecular-weight heparin calcium product indicated for: (1) prophylaxis and treatment of deep vein thrombosis; and (2) prevention of clotting during hemodialysis), export sales and other products, increased to approximately RMB784.0 million, as compared to approximately RMB692.7 million for the year ended 31 December 2021, representing an increase of approximately RMB91.3 million, or approximately 13.2%. The increase was mainly attributable to the increased sales of Cipterbin and Sparin, which was partially offset by the decreased sales of other products. For the Reporting Period, the Group's sales of Cipterbin increased to approximately RMB159.4 million, as compared to approximately RMB66.9 million for the year ended 31 December 2021, representing an increase of approximately RMB92.5 million, or approximately 138.1%.

Cost of Sales

The Group's cost of sales increased from approximately RMB1,106.3 million for the year ended 31 December 2021 to approximately RMB1,187.5 million for the Reporting Period, which accounted for approximately 17.3% of the Group's total revenue for the same period. The increase in the Group's cost of sales was due to the increased sales volume for the Reporting Period, as compared to the corresponding period in 2021.

Gross Profit

For the Reporting Period, the Group's gross profit increased to approximately RMB5,671.9 million, as compared to approximately RMB5,275.7 million for the year ended 31 December 2021, representing an increase of approximately RMB396.2 million, or approximately 7.5%. The increase in the Group's gross profit was broadly in line with its revenue growth during the year. The Group's gross profit margin was 82.7% for the Reporting Period, unchanged as in 2021.

Other Income and Gains

The Group's other income and gains mainly comprised government grants, interest income, foreign exchange gain, fair value gain on deemed disposal of investment in associates, fair value gains on financial assets and other miscellaneous income. For the Reporting Period, the Group's other income and gains increased to approximately RMB750.4 million, as compared to approximately RMB330.1 million for the year ended 31 December 2021, representing an increase of approximately RMB420.3 million, or approximately 127.3%. The increase was mainly attributable to the increase in foreign exchange gain and, interest income and fair value gains on financial assets in 2022, as compared to 2021.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consisted of marketing and promotion expenses, staff costs, transportation expenses, consulting fees and other miscellaneous selling and distribution expenses. For the Reporting Period, the Group's selling and distribution expenses amounted to approximately RMB2,579.8 million, as compared to approximately RMB2,324.0 million for the year ended 31 December 2021, representing an increase of approximately RMB255.8 million, or approximately 11.0%. The increase was broadly in line with its revenue growth during the year. In terms of the percentage of revenue, the Group's selling and distribution expenses represented approximately 37.6% for the Reporting Period as compared to approximately 36.4% for the year ended 31 December 2021.

Administrative Expenses

The Group's administrative expenses consisted of staff costs, professional fees, depreciation and amortization, property expenses, share-based compensation, and other miscellaneous administrative expenses. For the Reporting Period, the Group's administrative expenses amounted to approximately RMB384.7 million, as compared to approximately RMB371.5 million for the year ended 31 December 2021, representing a slight increase of approximately RMB13.2 million, or approximately 3.6%. The administrative expenses as a percentage of revenue was approximately 5.6% for the Reporting Period, as compared to approximately 5.8% for the corresponding period in 2021.

R&D Costs

The Group's R&D costs primarily consisted of staff costs, materials consumption, clinical trials costs, depreciation and amortization, and other miscellaneous R&D expenses. For the Reporting Period, the Group's R&D costs amounted to approximately RMB693.2 million, as compared to approximately RMB753.9 million for the year ended 31 December 2021, representing a decrease of approximately RMB60.7 million, or approximately 8.1%. The decrease was mainly due to the slow down in clinical trials progress and in clinical trial patient enrollments. The R&D costs as a percentage of revenue was approximately 10.1% for the Reporting Period, as compared to approximately 11.8% for the corresponding period in 2021.

Other Expenses and Losses

The Group's other expenses and losses primarily consisted of donation expenses, provision for impairment of financial assets and impairment of investment in an associate, the write-off expenses of termination of the exclusive distribution rights in other intangible assets in relation to Byetta, and other miscellaneous expenses. For the Reporting Period, the Group's other expenses amounted to approximately RMB355.9 million, as compared to approximately RMB184.0 million for the year ended 31 December 2021, representing an increase of approximately RMB171.9 million, or approximately 93.4%. The increase was mainly attributable to the increase in the write-off expenses of the termination of the exclusive distribution rights in other intangible assets in relation to Byetta.

Finance Costs

For the Reporting Period, the Group's finance costs amounted to approximately RMB101.1 million, as compared to approximately RMB66.5 million for the year ended 31 December 2021, representing an increase of approximately RMB34.6 million, or approximately 51.9%. Excluding the non-cash interest expenses of the Euro ("**EUR**")-denominated zero-coupon convertible bonds in an aggregate principal amount of EUR289,000,000 due 2025 ("**2025 Bonds**"), the finance costs increased from approximately RMB6.1 million for the year ended 31 December 2021 to approximately RMB46.4 million for the Reporting Period, representing an increase of approximately RMB40.3 million, or approximately 660.7%. The increase was mainly due to the increase in interest-bearing bank borrowings in 2022.

Income Tax Expense

For the Reporting Period, the Group's income tax expense amounted to approximately RMB366.0 million, as compared to approximately RMB241.2 million for the year ended 31 December 2021, representing an increase of approximately RMB124.8 million, or approximately 51.8%. The effective tax rates for the Reporting Period and the corresponding period in 2021 were approximately 16.1% and 12.9%, respectively. The increase in effective tax rate was mainly due to the decreased extra-deductible R&D expenses and the increased unrecognised tax losses in 2022, as compared to 2021.

EBITDA and Net Profit Attributable to Owners of the Parent

The EBITDA for the Reporting Period increased by approximately RMB428.0 million or approximately 19.7% to approximately RMB2,603.0 million, as compared to approximately RMB2,175.0 million for the year ended 31 December 2021. The normalized EBITDA is defined as the EBITDA for the period excluding, as applicable: (a) the interest expenses incurred in relation to the 2025 Bonds; (b) the expenses associated with the share options and awarded shares granted in February 2017, and March 2020; (c) the expenses associated with the awarded shares under the employee share ownership plan (the "**ESOP**") by Sunshine Guojian; (d) the write-off expenses of the termination of the exclusive distribution rights in other intangible assets in relation to Byetta, and (e) gain on deemed disposal of investment in an associate. The Group's normalized EBITDA for the Reporting Period increased by approximately RMB606.0 million or approximately 27.7% to approximately RMB2,796.3 million, as compared to approximately RMB2,190.3 million for the year ended 31 December 2021.

The net profit attributable to owners of the parent for the Reporting Period was approximately RMB1,914.9 million, as compared to approximately RMB1,651.2 million for the year ended 31 December 2021, representing an increase of approximately RMB263.7 million, or approximately 16.0%. The normalized net profit attributable to owners of the parent is defined as the profit attributable to owners of the parent for the period excluding, as applicable: (a) the interest expenses incurred in relation to the 2025 Bonds; (b) the expenses associated with share options and awarded shares granted in February 2017, and March 2020; (c) the expenses associated with the awarded shares under the ESOP by Sunshine Guojian; (d) the write-off expenses of the termination of the exclusive distribution rights in other intangible assets in relation to Byetta; and (e) gain on deemed disposal of investment in an associate. The Group's normalized net profit attributable to owners of the parent or the Reporting Period was approximately RMB2,162.8 million, as compared to approximately RMB1,727.0 million for the year ended 31 December 2021, representing an increase of approximately RMB435.8 million, or approximately 25.2%.

Earnings Per Share

The basic earnings per share for the Reporting Period was approximately RMB0.78 as compared to approximately RMB0.65 for the year ended 31 December 2021, representing an increase of approximately 20.0%.

Financial Assets Measured at Fair Value

As at 31 December 2022, financial assets measured at fair value primarily comprised the investment in treasury or cash management products issued by certain banks, the investment in listed companies and the investments in private equity funds which focus on the healthcare industry.

The treasury or cash management products subscribed by the Group for treasury management purposes from time to time during the Reporting Period included wealth management products offered by various independent commercial banks. For further information, please refer to the section headed "Management Discussion and Analysis — Liquidity, Financial and Capital Resources — Significant Investments Held" in this annual report relating to the Group's subscriptions from independent commercial banks. Please also refer to the announcement of the Company dated 20 September 2022 relating to the Group's subscriptions of wealth management products.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The Group's liquidity remained strong. For the Reporting Period, the Group's operating activities generated a net cash inflow of approximately RMB2,180.3 million, as compared to approximately RMB1,578.3 million for the year ended 31 December 2021, representing an increase of approximately RMB602.0 million or approximately 38.1%. The increase was mainly attributable to the increased cash inflow from the operating activities of the Group. As at 31 December 2022, the Group's cash and cash equivalents, non-pledged time deposits and pledged deposits were approximately RMB2,559.9 million.

Net Current Assets

As at 31 December 2022, the Group had net current assets of approximately RMB7,967.0 million, as compared to net current assets of approximately RMB6,370.7 million as at 31 December 2021. The current ratio of the Group was approximately 5.4 as at 31 December 2022, as compared to approximately 5.5 at 31 December 2021.

Funding and Treasury Policies, Borrowing and Pledge of Assets

The Group's finance department is responsible for the funding and treasury policies with regard to the overall business operation of the Group. The Company expects to fund its working capital and other capital requirements from a combination of various sources, including but not limited to internal financing and external financing at reasonable market rates. The Group continues to seek improving the return of the equity and assets while maintaining a prudent funding and treasury policy.

As at 31 December 2022, the Group had an aggregate interest-bearing bank borrowing of approximately RMB2,265.0 million, as compared to approximately RMB314.3 million as at 31 December 2021. The increase in bank borrowings primarily reflected in 2022 the additional bank loans of RMB2,081.8 million, which was partially offset by repayment of bank loans of approximately RMB203.7 million. Among the short-term deposits, none was pledged to secure the aforementioned bank loans as at 31 December 2022.

As at 31 December 2022, the Group had outstanding convertible bonds of approximately RMB2,163.7 million.

Gearing Ratio

The gearing ratio of the Group, which was calculated by dividing the total borrowings (excluding the 2025 Bonds) by the total equity, increased to approximately 14.7% as at 31 December 2022 from approximately 2.1% as at 31 December 2021. The increase was primarily due to the increased bank borrowings in 2022.

Contingent Liabilities

As at 31 December 2022, the Group had no significant contingent liabilities.

Charge on Assets

As at 31 December 2022, the Group had charge on assets of approximately RMB1,210.45 million (31 December 2021: RMB691.11 million). Additionally, Shenyang Sunshine Pharmaceutical Co., Ltd. ("**Shenyang Sunshine**")'s 90.34% equity interests in Desen Biologics were pledged as loan security.

Contractual Obligations

The Group's capital commitment amounted to approximately RMB1,320.5 million as at 31 December 2022, as compared to approximately RMB1,297.4 million as at 31 December 2021.

Foreign Exchange and Exchange Rate Risk

The Group mainly operates in Mainland China, with all material aspects of its regular business conducted in Renminbi other than: (1) the operations of Sirton; and (2) the Group's exports, which amounted to approximately RMB81.5 million, or approximately 1.2% of the Group's revenue, for the Reporting Period. Except for the operations of Sirton, the Group's exports, possible international deal expenditures (such as related to international licensing and acquisitions), foreign currency denominated bank deposits, foreign currency bank loans and the Euro-dominated 2025 Bonds, the Group believes that it does not have any other material direct exposure to foreign exchange fluctuations. As at 31 December 2022, the Group's foreign currency denominated bank deposits primarily comprised: (1) approximately USD43.0 million (equivalent to approximately RMB299.2 million); (2) approximately Hong Kong Dollar ("**HKD**") 38.2 million (equivalent to approximately RMB34.1 million); and (3) approximately EUR9.9 million (equivalent to approximately RMB73.8 million). The Group expects that the fluctuation of the Renminbi exchange rate will not have a material adverse effect on the operations of the Group in the foreseeable future.

Significant Acquisitions and Disposals

During the Reporting Period, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

Significant Investments Held

As at 31 December 2022, the Group did not hold any significant investments. As at 31 December 2022, the Group held (i) equity investments designated at fair value through other comprehensive income of approximately RMB555.0 million; and (ii) wealth management products of various independent commercial banks as financial assets at fair value through profit or loss of approximately RMB4,861.1 million, none of which such investments in any group of entities or products offered by any group of commercial banks, in aggregate, represented 5% or more of the total assets of the Group.

Future Plans for Material Investments or Capital Assets

The Group estimates that the total capital expenditure of the Group for the next three years will be in the range of RMB1,200 million to RMB1,500 million. These expected capital expenditures will primarily be incurred for the maintenance of the Group's existing facilities and the expansion of the Group's production capabilities. The Group expects to finance its capital expenditures through a combination of internally generated funds and bank borrowings.

EMPLOYEES AND EMOLUMENTS POLICY

As at 31 December 2022, the Group employed a total of 5,213 employees, as compared to a total of 5,292 employees as at 31 December 2021. The staff costs, including Directors' emoluments but excluding any contributions to the pension scheme, were approximately RMB1,251.7 million for the Reporting Period, as compared to approximately RMB1,165.1 million for the corresponding period in 2021. The Group generally formulated its employees' remuneration package to include salary, bonus and allowance elements. The compensation programs were designed to remunerate the employees based on their performance, which is measured against specified objective criteria. The Group also provided the employees with welfare benefits in accordance with applicable regulations and the Group's internal policies. The Company has adopted a share option scheme and a share award scheme ("**2019 Share Award Scheme**") and other incentive initiatives such as cash awards for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. In addition, Sunshine Guojian has adopted a restricted share incentive plan in February 2021.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group operates in a highly competitive environment, and it may not be able to compete effectively against current and future competitors.

The Group operates in a highly competitive environment. The Group may not be able to compete effectively against current and future competitors. The Group's products compete with other products or treatments for diseases for which the Group's products may be indicated. The biotechnology and pharmaceutical industries are characterized by rapid changes in technology, constant enhancement of industrial know-how and frequent emergence of new products. Many of the Group's competitors, including foreign pharmaceutical companies and large state-owned pharmaceutical companies, may have substantially greater clinical, research, regulatory, manufacturing, marketing, financial and human resources than the Group has.

If the Group's products are excluded or removed from the national medical insurance catalogue, the Group's sales, profitability and business prospects could be adversely affected.

As at the date of this annual report, of the Group's key products, TPIAO, EPIAO and SEPO, Yisaipu and Cipterbin, as well as certain other products including Sparin and Qiming Keli, are listed on the NRDL.

The selection of pharmaceutical products for listing in the national medical insurance catalogue is based on a variety of factors, including clinical needs, use frequency, efficacy and price, many of which are outside of the Group's control. Moreover, the relevant PRC government authorities may also, from time to time, review and revise the scope of reimbursement for the products that are already listed in the national medical insurance catalogue. There can be no assurance that any of the Group's products currently listed in the national medical insurance catalogue will remain listed, or that changes in the scope of reimbursement will not negatively affect the Group's products. If any of the Group's products are removed from the national medical insurance catalogue, or if the scope of reimbursement is reduced, demand for the Group's products may decrease and the Group's revenue and profitability could be adversely affected. Furthermore, if the Group is unable to list new products in the national medical insurance catalogue, or add new indications to the Group's currently listed products, the Group's business prospects could be adversely affected.

If the Group is unable to win bids to sell the Group's products to PRC hospitals in the provincial tendering process, it may lose market share and the Group's revenue and profitability could be adversely affected.

In each province where the Group markets its products, it is required to participate in a government-sponsored competitive bidding process every year or every few years. During the provincial tendering process, the Group and its competitors submit pricing and other product information to local government agencies for selection, which usually is based on the bid price, clinical effectiveness and quality of each product and the reputation of the bidder. For each product category, the local government agencies will permit a limited number of products for sale in the relevant province or local district.

The Group may fail to win bids in a provincial tendering process due to various factors, including reduced demand for the relevant product, uncompetitive bidding price or local protectionism. The Group may also win bids at low prices that will limit the Group's profit margins. There can be no assurance that the Group's bids will enable it to win in the tendering process and maintain the Group's market share without compromising the Group's profitability. In addition, the Group may lose in the tendering process because the relevant product is perceived to be less clinically effective than competing products or the Group's services or other aspects of the Group's operations are perceived to be less competitive.

Under the current centralized government procurement regime, the prices of the Group's products that may participate in the centralized procurement may drop significantly, or the procurement quantities of such products may be reduced by medical institutions. If such adverse events materialize, the sales revenue and profits of these products may decline.

Pursuant to the current centralized procurement government policies, more provinces in the PRC are likely to conduct drug price negotiations aggressively. It is expected that compared with the original drug prices, the bidding prices would decline substantially in the centralized procurement. In rather many provinces, the prices of the Group's products that may participate in the centralized procurement may drop significantly, or the procurement quantities of such products may be reduced by medical institutions. If such adverse events materialize, the sales revenue and profits of these products may decline, and the Group's sales, profitability and business prospects could be adversely affected.

If the Group fails to develop and commercialize new pharmaceutical products, its business prospects could be adversely affected.

The Group's long-term competitiveness depends on its ability to enhance its existing products and to develop and commercialize new biotechnology and other pharmaceutical products through its research and development activities. The development process of pharmaceutical products in general, and biopharmaceuticals in particular, is time-consuming and costly, and there can be no assurance that the Group's research and development activities will enable it to successfully develop new pharmaceutical products. Since relatively few research and development programs in the pharmaceutical industry produce a commercially viable product, a product candidate that appears promising in the early phases of development may fail to reach the market for a number of reasons, such as:

- the failure to demonstrate safety and efficacy in preclinical and clinical trials;
- the failure to obtain approvals for its intended indications from relevant regulatory bodies, such as the NMPA;
- the Group's inability to manufacture and commercialize sufficient quantities of the product economically; and
- proprietary rights, such as patent rights, held by others related to the Group's product candidate and their refusal to sell or license such rights to the Group on reasonable terms, or at all.

New pharmaceutical products must be approved by the NMPA before they can be marketed and sold in Mainland China. The NMPA requires successful completion of clinical trials and demonstration of manufacturing capability before granting approval. Clinical trials are expensive and their results are uncertain. It often takes multiple years before a medicine can be ultimately approved by the NMPA. In addition, the NMPA and other regulatory authorities may apply new standards for safety, manufacturing, packaging, and distribution of future product candidates. Complying with such standards may be time-consuming and expensive and could result in delays in obtaining NMPA approval for the Group's product candidates, or possibly preclude the Group from obtaining NMPA approval. Furthermore, the Group's future products may not be effective or may prove to have undesirable or unintended side effects, toxicities or other characteristics that may preclude the Group from obtaining regulatory approval or prevent or limit their commercial use. Even if the Group do obtain regulatory approvals, the process may take longer than expected or desired, or such approvals may be subject to limitations on the indicated uses for which the Group may market the relevant product, therefore restricting its market size.

The Group has formed collaborative relationships with certain research institutes and companies to benefit from their expertise and resources in developing new and competitive products. However, there can be no assurance that the Group will be able to maintain such relationship or enter into new relationships. Any deterioration in the Group's existing relationships or failure to enter into new relationships with suitable research partners on commercially acceptable terms may have an adverse impact on the Group's ability to successfully develop new products, which in turn could adversely affect the Group's business, its results of operations and growth prospects.

If the Group's employees, distributors or third-party promoters engage in corrupt practices or inappropriate promotion of the Group's products, the Group's reputation could be harmed and the Group could be exposed to regulatory investigations, cost and liabilities.

The Group does not fully control the interactions between its employees, distributors and third-party promoters with hospitals, medical institutions and doctors, and they may try to increase sales volumes of the Group's products through means that constitute violations of the PRC anti-corruption, anti-bribery and other related laws. If the Group's employees, distributors or third-party promoters engage in corruption or other improper conduct that results in violation of applicable anti-corruption, anti-bribery laws in the PRC or other jurisdictions, the Group's reputation could be harmed and the Group could be exposed to regulatory investigations and penalties, including being excluded from procurement by public hospitals and other public medical institutions in the PRC.

The Group may pursue collaborations, licensing arrangements, partnerships, joint ventures, strategic alliances, acquisitions, or other strategic investments or arrangements, which may fail to produce anticipated benefits and may adversely affect the Group's business.

The Group continually pursues opportunities for acquisitions of products, assets or technologies, collaboration, licensing, joint ventures, strategic alliances, or partnerships that the Group believes would be complementary to or promote its existing business. Proposing, negotiating, implementing and executing on these opportunities may be a lengthy and complex process. Other companies, including those with substantially greater financial, marketing, sales, technology, or other business resources, may compete with the Group for these opportunities or arrangements. The Group may not be able to identify or complete any such transactions or arrangements in a timely manner, on a cost-effective basis, on acceptable terms, or at all.

The Group has limited experience with respect to these business development activities. Management and integration of acquisition, licensing arrangement, collaboration, joint venture or other strategic arrangement may disrupt the Group's current operations, decrease the Group's profitability, result in significant expenses, or divert management resources that otherwise would be available for the Group's existing business. The Group may not realize the anticipated benefits of any such transaction or arrangement.

Furthermore, partners, collaborators or other parties to such transactions or arrangements may fail to fully perform their obligations or meet the Group's expectations or cooperate with the Group satisfactorily for various reasons, including risks or issues related to their business and operations. There may be conflicts or other collaboration failures and inefficiencies between the Group and the other parties.

Such transactions or arrangements may also require actions, consents, approvals, waivers, participation or involvement of various degrees from third parties, such as regulators, government authorities, creditors, licensors or licensees, related individuals, suppliers, distributors, shareholders or other stakeholders or interested parties. The Group may not obtain such required or desired actions, consent, approval, waiver, participation or involvement on a timely basis, on acceptable terms, or at all.

Directors and Senior Management

DIRECTORS

Executive Directors

Dr. LOU Jing, aged 60, was appointed as a Director on 5 September 2006 and was re-designated as an executive Director on 27 November 2014. He was appointed as the chairman of the Board on 1 April 2012. Dr. Lou is also the chief executive officer and president of the Company. He is responsible for the strategic development and planning, overall operational management and major decision making of the Group. He is a co-founder of the Group and joined Shenyang Sunshine as a director of R&D in September 1995.

Dr. Lou also holds the following positions with other members of the Group:

1) director and chairman of the board of Collected Mind Limited (集思有限公司, "**Collected Mind**");

2) director of Hongkong Sansheng;

3) director of Excel Partner Holdings Limited (特隆控股有限公司, "**Excel Partner**");

4) director of Ample Harvest Investments Limited (溢豐投資有限公司, "**Ample Harvest**");

5) director, chief executive officer and president of Shenyang Sunshine and chairman of the board of Shenyang Sunshine;

6) director and general manager of Liaoning Sunshine Bio-Pharmaceutical Company Limited (遼寧三生醫藥有限公司, "**Liaoning Sunshine**");

7) director and chairman of the board of Taizhou Huan Sheng Consulting Management Company Limited (泰州環晟諮詢管理有限公司, "**Taizhou Huan Sheng**");

8) executive director of Shenzhen Baishitong Technology Development Company Limited (深圳市百士通科技開發有限公司, "**Shenzhen Baishitong**");

9) chairman of the board of Shenzhen Sciprogen Bio-pharmaceutical Technology Co., Ltd. ("**Sciprogen**");

10) chairman of the board of Guangdong Sunshine Pharmaceutical Co., Ltd. (廣東三生製藥有限公司, "**Guangdong Sunshine**");

11) director and chairman of the board of Desen Biologics;

12) director of Gains Prestige Limited (澤威有限公司, "**Gains Prestige**");

13) director of Strategic International Group Limited ("**Strategic International**");

14) director and chairman of the board of Sunshine Guojian;

15) director and chairman of the board of Shanghai Xingsheng Pharmaceutical Company Limited ("**Xing Sheng**");

16) executive director of Shanghai An Ran Biotech Co. Ltd.;

17) executive director of Sunshine Guojian Pharmaceuticals (Suzhou) Co. Ltd.;

18) director of Full Gain Pharmaceutical Limited;

19) director of Shanghai National Engineering Research Center of Antibody Medicine Co. Ltd.; and

20) chairman of the board of Xinyisheng (Hainan) Commercial Factoring Co., Ltd..

Dr. Lou has been highly active in pharmaceutical research and has made substantial contribution to the Group's R&D of pharmaceutical products. Dr. Lou was the leading scientist and principal investigator in the Group's successful development of EPIAO and TPIAO. He co-invented a "preparation process for recombinant human thrombopoietin" and a "method for improving the stability of polypeptides in human bodies and its application" in 2000 and 2001, respectively. He has published in a number of academic journals on microbiology and medicinal biotechnology. His research has been recognized with various awards. In 2006, he was awarded the "First Prize of Shenyang Science and Technology Progress Award" (瀋陽市科學技術進步一等獎) for his research on recombinant human thrombopoietin. In 2007, he was awarded the "Third Prize of Liaoning Province Scientific and Technological Achievements" (遼寧省科技成果轉化三等獎) for his contribution to the industrialization of production of recombinant human thrombopoietin. In 2017, he was awarded "Liaoning Province Outstanding Entrepreneur" and "Friendship Award of Liaoning Province". In 2022, he received the 15th "Tan Jia Zhen Life Sciences Award." Dr. Lou obtained a Bachelor of Medicine degree in clinical medicine from Shanghai Second Military Medical University in July 1985. He conducted post-doctoral research at the National Institutes of Health of the U.S. after obtaining a Ph.D. degree in molecular and cell biology from Fordham University in the U.S. in February 1994. He also obtained an Executive Master of Business Administration from China Europe International Business School (中歐國際工商學院) in September 2008.

Ms. SU Dongmei, aged 53, was appointed as a Director on 11 June 2012 and was re-designated as an executive Director on 27 November 2014. Ms. Su is also the Company's senior vice president and the general manager of Shenyang Sunshine. She is responsible for strategic direction of the Group. Ms. Su joined Shenyang Sunshine as a scientist of the R&D department in January 1993, and served as a director of the R&D department from 1997 to 2006. She subsequently served as the chief technology officer responsible for R&D and manufacturing process engineering of Shenyang Sunshine from 2006 to 2008. Ms. Su was promoted to vice president of Shenyang Sunshine in April 2008. Ms. Su served as a director of Shenyang Sunshine from August 2007 to June 2013, and was re-appointed on 18 July 2016. She also served as a director of Hongkong Sansheng from November 2009 to November 2014.

Ms. Su also holds the following positions with other members of the Group:

(i) senior vice president and general manager of Shenyang Sunshine;

(ii) supervisor of Liaoning Sunshine;

(iii) director of Sciprogen;

(iv) director of Guangdong Sunshine;

(v) director of Strategic International;

(vi) executive director of Shenyang Jiasheng Agriculture Technology Co., Ltd. (瀋陽嘉生農業科技有限責任公司);

(vii) director of Sunshine Guojian;

(viii) executive director of Shanghai Bo Ai Ke Biotech Co. Ltd.; and

(ix) trustee of Shanghai Sunshine Guojian Biotech Research Institute.

Ms. Su obtained a Bachelor's degree in Biochemistry from Jilin University (吉林大學) in July 1992 and a Master's and a Doctorate degree in Microbiology and Pharmacology from Shenyang Pharmaceutical University (瀋陽藥科大學) in June 2001 and July 2010, respectively. She has published in a number of academic journals on microbiology and medicinal biotechnology.

Non-executive Directors

Mr. HUANG Bin, aged 62, was first appointed as a Director on 5 September 2006 and ceased to be a Director on 29 May 2013. Mr. Huang was re-appointed as an executive Director on 27 November 2014, and was re-designated as a non-executive Director on 20 June 2019. Mr. Huang joined Shenyang Sunshine in 1993 as a manager of the human resources department.

Mr. Huang also holds the following positions (in a non-executive capacity) with other members of the Group:

(i) director and vice president of Shenyang Sunshine; and

(ii) director and general manager of Taizhou Huan Sheng.

Mr. Huang received a diploma in Engineering from Northeast University (東北大學) in July 1987. He attended a one-year training program in business management in Tsinghua University (清華大學) from April 2000 to April 2001.

Independent Non-executive Directors

Mr. PU Tianruo, aged 55, was appointed as an independent non-executive Director on 23 May 2015, with such appointment taking effect on 1 June 2015. Previously, he served as an independent Director and the audit committee chair of the Company from 1 September 2012 to 29 May 2013.

Mr. Pu has substantial experience in accounting and finance. He serves as an independent non-executive director of several companies, including Autohome Inc. (NYSE: ATHM; HKEx stock code: 2518) since December 2016, One Connect Financial Technology (NYSE: OCFT; HKEx stock code: 6638) since December 2019, and AnPac Bio-Medical Science Co., Ltd. (Nasdaq: ANPC) since October 2022. Mr. Pu was previously an independent non-executive director of the following public companies: Renren Inc. (NYSE: RENN), Kaixin Auto (NASDAQ: KXIN), Luckin Coffee (previously NASDAQ: LK). He was previously the chief financial officer of Zhaopin Ltd. (previously NYSE: ZPIN). Mr. Pu obtained a Bachelor's degree in English Language from China Foreign Affairs University (外交學院) in July 1991, a Master of Science degree in Accounting from the University of Illinois, College of Business Administration in May 1996 and an MBA degree from Northwestern University Kellogg School of Management in the U.S. in June 2000.

Ms. YANG, Hoi Ti Heidi (楊凱蒂), aged 53, was appointed as an independent non-executive Director on 29 June 2021. Ms. Yang has been the Global Managing Director, Asian and World Art at Christie's Hong Kong Limited since January 2021 and had served as a member of the Listing Committee of the Stock Exchange of Hong Kong Limited (the "**HKEx**") from July 2019 to July 2021. Prior to joining Christie's Hong Kong Limited, Ms. Yang had over 28 years of experience in the financial sector and had held the positions of Managing Director and Head of Corporate Advisory Group, Asia Pacific at Deutsche Bank Asia Limited, Managing Director and Head of Corporate Finance Group at UBS Investment Bank Asia, and Analyst, Associate and Vice President at Morgan Stanley Asia Limited. Ms. Yang holds a Bachelor of Arts degree majoring in economics from Columbia University, New York.

Mr. NG, Joo Yeow Gerry (黃祖耀), aged 58, was appointed as an independent non-executive Director on 21 January 2022. He has substantial experience in corporate planning, business expansion and development as well as cross-border management, particular in the investment management business in the Asian region. Mr. Ng has been an Independent Non-executive Director of AIA Company (Trustee) Limited, a subsidiary of AIA Group Limited (HKEx stock code: 1299), since August 2021, for its pension fund business in Hong Kong. He had served as the Chief Executive Officer, Asia ex Japan of Baring Asset Management (Asia) Limited ("**Baring Asset Management**") up to December 2019, having been appointed as Managing Director of Baring Asset Management in December 2004. During his time at Baring Asset Management, Mr. Ng managed and had oversight of different offices in the Asian region including those in Shanghai, Hong Kong, Taipei and Seoul, and was responsible for the business management of a substantial book of business in retail mutual funds and institutional client assets. Mr. Ng has also had ample and broad range of experience working with key sovereign wealth funds, large institutions and regulators in the region. Prior to joining Baring Asset Management, Mr. Ng was employed by JF Asset Management Limited (now JP Morgan Asset Management (Asia Pacific) Limited) from May 1992 to November 2004. During this period, he held various positions including Head of Asian Institutional Clients and Finance Director (JF Unit Trusts), and had focused on sales, business development and client servicing in the Asian region. Mr. Ng had also worked at Price

Waterhouse (now PricewaterhouseCoopers) in both London and Hong Kong from September 1986 to April 1992 with his last role serving as an Audit Manager in the Hong Kong office.

Mr. Ng is a Senior Fellow of the Hong Kong Securities and Investment Institute and has also previously held many respectable and prestigious positions in different professional and regulatory bodies, including formerly being a Member of the Securities and Futures Appeals Tribunal, the Chairman and Executive Committee Member of Hong Kong Investment Funds Association, a Panel Member of the Mandatory Provident Fund Schemes Appeal Board, and a Member of Hong Kong Trade Development Council Financial Services Advisory Committee.

Mr. Ng holds a Bachelor of Science degree (with first class honours) majoring in civil engineering from Imperial College, London. He is also a Chartered Accountant (England and Wales) and Certified Public Accountant (Hong Kong).

Dr. ZHANG Dan (張丹博士), aged 60, was appointed as an independent non-executive Director on 30 December 2022. He has extensive experience in the field of medicine and pharmaceuticals, and has held numerous respectable and prestigious positions in the industry. Dr. Zhang served as the first Chairman of the board of directors (Greater China region) and the Vice-President of a U.S. company, Quintiles Transnational Corp.. Dr. Zhang had experience working at Sigma Tauresearch Inc., a U.S. company, during which he was in charge of the clinical development and safety evaluations of drugs in respect of the market in North America. In 2007, Dr. Zhang co-founded ClinChoice Inc. (昆翎醫藥) (formerly known as FMD China (方恩醫藥)), a clinical contract research organization (CRO) dedicated to the development of innovative medicines. He was the Chairman and CEO of this company from 2007 to 2019, and has been the Chief Strategy Officer and a director of this company since 2020. He has also served as (i) the Chief Scientist at Shenzhen Grandbaybio Development Consulting Co. Limited (深圳興灣生物醫藥發展顧問有限公司) since 2020; (ii) the co-chairman of the board of directors of Hong Ji Biotechnology (Beijing) Co. Limited (弘際生物科技（北京）有限責任公司) since 2021; and (iii) the co-chairman of the board of directors of Jiangsu Hillgene Medical Co. Limited (江蘇譜新生物醫藥有限公司) since 2022.

Dr. Zhang served as a consultant and a visiting professor at Peking Union Medical College and Harbin Medical University, respectively. Dr. Zhang has been a member of China Pharmaceutical Innovation and Research Development Association (PhIRDA) (中國醫藥創新促進會) from 2020 to 2022. He currently also serves as the head of the ICH E19 IFPMA expert committee and a ICH working group expert in the NMPA.

Dr. Zhang completed his pre-medical training at the Department of Biology at Peking University in 1984. He then studied Medicine at Peking Union Medical College from 1981 to 1989, and was subsequently awarded with a Doctor of Medicine by the State Council of the PRC government. He further obtained a Master of Public Health degree from Harvard University in 1990 and a Master of Science in Health Care Management degree in 1995 from the Wharton School of the University of Pennsylvania. He was also elected as a foreign member of the Russian Academy of Engineering in 2020.

SENIOR MANAGEMENT

The senior management of the Company comprises the executive Directors and the following persons:

Mr. WANG Fei (王飛), aged 46, is the chief financial officer of the Company. Before joining the Company in April 2020, Mr. Wang worked at AstraZeneca, as the chief financial officer of its China operation from January 2011 to October 2015 and as the director of finance of its respiration, immunology and inflammation department from January 2020 to April 2020. He served as an executive director and as chief financial officer of a Hong Kong listed company from March 2018 to December 2019. Mr. Wang received a bachelor's degree in management from Xinjiang University of Finance and Economics in 1999 and a MBA from Shanghai Jiao Tong University and Euromed Marseille Ecole de Management (now known as KEDGE) in 2012. Mr. Wang is a certified public accountant in the PRC.

Mr. XIAO Weihong (肖衛紅), aged 54, is the general manager of Sunshine Guojian since June 2019. He had been the chief operating officer of the Company from March 2016 to September 2019. Prior to joining the Company in March 2016, Mr. Xiao served as the chief executive officer of Hisun-Pfizer Pharmaceutical Co. Ltd. (海正輝瑞製藥有限公司), from 2012 to 2015, where he oversaw the strategy and operations. From 2007 to 2012, Mr. Xiao served as a general manager of commercial and diversified business unit of Pfizer China. Mr. Xiao worked in Pfizer China's human resources department from 1999 to 2007 and served as the human resources director of Pfizer China from 2004 to 2007. Mr. Xiao graduated from the University of International Business & Economics with a Bachelor of Economics degree in 1991. He is currently a vice president of the Chinese Pharmaceutical Enterprises Association.

Ms. LIU Yanli (劉彥麗), aged 42, is the vice general manager and secretary to the board of directors of Sunshine Guojian since June 2019. She had been the joint company secretary of the Company from April 2016 to October 2019, and was responsible for overseeing capital market, corporate governance, legal and public relation matters of the Group. Ms. Liu has served as a director of Hongkong Sansheng since November 2014. Ms. Liu first joined Shenyang Sunshine in January 2007. Ms. Liu obtained a Bachelor's degree in Biochemistry and a Master's degree in Chemistry with Entrepreneurship from the University of Nottingham in July 2004 and December 2006, respectively.

Mr. XU Yong (徐勇), aged 58, has served as the general manager and a director of Sciprogen since 2015. He is also a director of Guangdong Sunshine and Gains Prestige. From March 2006 to December 2012, he served as a deputy general manager of Liaoning Nuokang Pharmaceutical Limited (遼寧諾康醫藥股份有限公司). Before that, Mr. Xu served as the deputy general manager of Beijing Zhongguan Venture Science and Technology Co., Ltd. (北京中關創業科技發展有限公司) from January 2002 to March 2006. From June 1995 to December 2001, he worked first as a deputy director and then as a director in the second general department of Hebei Provincial Government General Office (河北省政府辦公廳綜合二處). Mr. Xu obtained a Bachelor's degree in Precision Machinery from Zhejiang University (浙江大學) in August 1988.

Report of Directors

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the Reporting Period.

CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 9 August 2006 as an exempted company with limited liability under the laws of the Cayman Islands. The Company's ordinary shares, par value of USD0.00001 each (the "**Shares**") were listed on the Main Board of the HKEx on 11 June 2015 (the "**Listing Date**").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the Group is principally engaged in the development, production, marketing and sale of biopharmaceutical products in the PRC. Analysis of the principal activities of the Group during the Reporting Period is set out in the note 1 to the consolidated financial statements.

RESULTS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss on page 89 of this annual report.

FINAL DIVIDEND

The Board proposed to declared a final dividend of HKD10 cents per share for the year ended 31 December 2022 (2021: HKD20 cents) to those shareholders whose names appeared on the register of members of the Company on Monday, 3 July 2023. Subject to the approval of shareholders of the Company at the forthcoming annual general meeting (the "**AGM**"), the final dividend will be paid in cash on or around Tuesday, 11 July 2023.

BUSINESS REVIEW

A review of the business of the Group, a discussion on the Group's future prospects and the principal risks and uncertainties and an analysis of the Group's performance during the Reporting Period using financial key performance indicators are provided in the section headed "Management Discussion and Analysis" on pages 10 to 34. In addition, discussions on the Group's relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are located respectively in the paragraph headed "Relationship with Stakeholders" and the paragraph headed "Compliance with Laws and Regulations" on pages 60 to 61 of this annual report.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, are set out on page 6 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the Reporting Period, the Group's sales to its five largest customers accounted for approximately 15.1% (2021: 17.2%) of the Group's total revenue and the Group's single largest customer accounted for approximately 3.6% (2021: 4.5%) of the Group's total revenue.

Major Suppliers

For the Reporting Period, the Group's five largest suppliers accounted for approximately 39.6% (2021: 45.5%) of the Group's total purchases and the Group's single largest supplier accounted for approximately 11.9% (2021: 12.3%) of the Group's total purchases.

During the Reporting Period, none of the Directors or their close associates or the shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any interest in the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the Reporting Period are set out in note 14 to the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 33 to the consolidated financial statements in this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "**Articles of Association**") and there are no statutory pre-emptive rights under the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

EQUITY-LINKED AGREEMENTS

Share Option Scheme

Details of the share option scheme adopted by the Company in 2015 are set out in the section headed "POST-IPO SHARE OPTION SCHEME" in this Report of Directors.

Except as disclosed above and in note 34 to the consolidated financial statements in this annual report, the Company had not entered into any equity-linked agreements in 2022, nor did there subsist any equity-linked agreement entered into by the Company as at 31 December 2022.

RESERVES

Details of movements in the reserves of the Company and the Group during the Reporting Period are set out on pages 93 to 94 in the consolidated statement of changes in equity in this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Laws of Cayman Islands, amounted to approximately RMB3,624.9 million (as at 31 December 2021: RMB4,082.3 million).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2022 are set out in note 30 to the consolidated financial statements in this annual report.

DIRECTORS

The Directors of the Company during the Reporting Period and up to the date of this annual report are:

Executive Directors:

Dr. LOU Jing *(Chairman & Chief Executive Officer)*
Ms. SU Dongmei

Non-executive Directors:

Mr. HUANG Bin	
Mr. TANG Ke	(resigned on 30 December 2022)

Independent Non-executive Directors:

Mr. PU Tianruo	
Ms. YANG, Hoi Ti Heidi	
Mr. NG, Joo Yeow Gerry	(appointed on 21 January 2022)
Dr. ZHANG Dan	(appointed on 30 December 2022)
Dr. WONG Da Silva Lap Yan Leo De Rothschild (formerly known as Wong Lap Yan)	(resigned on 21 January 2022)

In accordance with article 84(1) of the Articles of Association, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) will retire from office by rotation and will be eligible for re-election and re-appointment at every AGM, provided that every Director shall be subject to retirement by rotation at least once every three years.

In accordance with article 83(3) of the Articles of Association, any Director appointed by the Board either to fill a casual vacancy or as an addition to the Board will hold office until the first general meeting or the next following AGM of the Company after his/her appointment.

Details of the Directors to be re-elected or any Director candidates to be elected, as applicable, at the AGM will be set out in the circular to the shareholders of the Company prior to its upcoming AGM.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 35 to 40 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the HKEx (the "**HKEx Listing Rules**"). The Company considers all of the independent non-executive Directors to be independent in accordance with Rule 3.13 of the HKEx Listing Rules.

DIRECTORS' SERVICE CONTRACTS

Dr. LOU Jing, one of the executive Directors, has entered into a service contract with the Company for an initial term of three years commencing from the date of his appointment and continue for a period of three years after or until the third AGM of the Company since the Listing Date (whichever is earlier), which shall be automatically renewed for successive periods of three years until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other prior notice in writing. Ms. SU Dongmei, the other executive Director, has entered into a service contract with the Company for an extended term of three years commencing from the date of the 2021 AGM of the Company until the date of the second upcoming AGM of the Company from the date hereof, which shall be automatically renewed for a further three years, unless otherwise terminated in accordance with the terms and conditions of the service contract.

Mr. HUANG Bin, the non-executive Director, entered into an appointment letter with the Company for a term commencing from 20 June 2019 until the date of the 2022 AGM of the Company, which has been automatically renewed for a further three years, unless otherwise terminated in accordance with the terms and conditions of the appointment letter.

Mr. PU Tianruo, one of the independent non-executive Directors, entered into an appointment letter with the Company on 23 May 2015. The appointment under the aforementioned letter had been renewed and extended until the date of the 2022 AGM of the Company, which has been automatically renewed for a further three years, unless otherwise terminated in accordance with the terms and conditions of the appointment letter. Ms. YANG, Hoi Ti Heidi, one of the independent non-executive Directors, has entered into an appointment letter with the Company for a term of three years commencing from the date of the 2021 AGM, which shall then be automatically renewed for a further three years, unless otherwise terminated in accordance with the terms and conditions of the appointment letter. Mr. NG, Joo Yeow Gerry, one of the independent non-executive Directors, entered into a letter of appointment with the Company for a term of one year commencing from 21 January 2022. The appointment under the aforementioned letter has been extended for a further one year, unless otherwise terminated in accordance with the terms and conditions of the letter of appointment. Dr. ZHANG Dan, the other independent non-executive Director, has entered into a letter of appointment with the Company for a term of one year commencing from 30 December 2022.

Save as disclosed above, none of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Directors' service contracts and appointment letters may be renewed from time to time, and their terms of appointment are subject to re-election and retirement as and when required by the Articles of Association.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than those transactions disclosed in note 40 to the consolidated financial statements and in the section "Connected Transactions" below, no Director had a material interest, either directly or indirectly, in any transactions, arrangements and contracts of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the Reporting Period.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in this annual report, at no time during the year had the Company or any of its subsidiaries entered into any contract of significance with the controlling shareholder (as defined in the HKEx Listing Rules) or any of its subsidiaries, nor had any contract of significance been entered into for the services provided by the controlling shareholder of the Company or any of its subsidiaries to the Company or any of its subsidiaries.

MANAGEMENT CONTRACTS

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

EMOLUMENT POLICY

A remuneration committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance of the directors and senior management and comparable market practices.

Details of the emoluments of the Directors and five highest paid individuals for the Reporting Period are set out in notes 8 and 9 to the consolidated financial statements in this annual report.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in note 10 and note 32 to the consolidated financial statements in this annual report.

CHANGE TO INFORMATION IN RESPECT OF DIRECTORS

Save as disclosed in the section headed "Directors and Senior Management" in this annual report, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the HKEx Listing Rules for the Reporting Period.

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

As at 31 December 2022, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") which had been notified to the Company and the HKEX pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the HKEx pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the HKEx Listing Rules were as follows:

(i) Interests in the Company

Name	Position	Nature of Interest	Number of Shares held	Approximate percentage of all Shares in Issue[1]
LOU Jing[2] (婁競)	Executive Director	Beneficial owner	440,000[(L)]	0.02%
		Beneficiary of a trust	50,174,510[(L)]	2.06%
		Other	476,774,553[(L)]	19.55%
			Total: 527,389,063[(L)]	*21.62%
SU Dongmei[3] (蘇冬梅)	Executive Director	Interest in controlled corporation	24,384,630[(L)]	1.00%
		Beneficial owner	440,000[(L)]	0.02%
			Total: 24,824,630[(L)]	1.02%
HUANG Bin[4] (黃斌)	Non-executive Director	Interest in controlled corporation	32,197,350[(L)]	1.32%

Notes:

(L): denotes long position

*: Figures shown as total may not be an arithmetic aggregation of the figures being added up due to rounding adjustment.

(1) The calculation is based on the total number of 2,438,870,412 Shares in issue as at 31 December 2022.

(2) Dr. LOU Jing was granted 440,000 share options by the Company, representing 440,000 Shares upon full exercise. Dr. LOU Jing was a beneficiary under two unnamed trusts which were interested in 41,746,000 Shares and 8,428,510 Shares respectively. Further, Dr. LOU Jing was an enforcer and a beneficiary of an unnamed discretionary trust which was interested in 476,774,553 Shares. Therefore, Dr. LOU Jing was deemed to be interested in all such Shares as discussed in the foregoing.

(3) Ms. SU Dongmei directly holds the entire issued share capital of Joint Palace Group Limited ("**JPG**") and therefore, was deemed to be interested in the same number of the Shares in which JPG was interested (i.e. 24,384,630 Shares); and Ms. SU Dongmei was granted 440,000 share options by the Company, representing 440,000 Shares upon full exercise.

(4) Mr. HUANG Bin directly holds the entire issued share capital of Known Virtue International Limited ("**KVI**") and therefore, was deemed to be interested in the same number of the Shares in which KVI was interested (i.e. 32,197,350 Shares).

(ii) Interests in Associated Corporations

Name	Position	Associated Corporation	Nature of Interest	Number of Securities	Approximate Percentage of Outstanding Share Capital of the Associated Corporation(1)
LOU Jing (婁競)	Executive Director	Sunshine Guojian	Interest in controlled corporation	25,160,657(L)(1)	4.54%(1)
SU Dongmei (蘇冬梅)	Executive Director	Sunshine Guojian	Others(2)	200,000(L)(2)	0.04%(2)

Notes:

(L): denotes long position.

(1) The shares were allotted by Sunshine Guojian to Achieve Well International Limited, a company wholly-owned by Dr. LOU Jing, under the ESOP of Sunshine Guojian, for purposes of holding the awarded shares granted to Dr. LOU Jing. Upon completion of the offering of Sunshine Guojian on the Shanghai Stock Exchange on 22 July 2020 ("**Guojian Offering**"), the approximate percentage of Dr. LOU Jing's interest in the share capital of Sunshine Guojian was diluted to 4.08%. The change did not trigger a disclosure obligation under the SFO and therefore the information shown in the table as of 31 December 2022 reflects Dr. LOU Jing's interests position as required to be disclosed under the SFO.

(2) An ultimate beneficial owner of an interest in a fund (the "**Fund**") that is used for holding shares awarded under the ESOP of Sunshine Guojian, which directly holds the awarded shares for the ultimate benefit of Ms. SU Dongmei, being one of the grantees of the awarded shares that have been allotted to the Fund by Sunshine Guojian. Upon completion of the Guojian Offering, the approximate percentage of Ms. SU Dongmei's interest in the share capital of Sunshine Guojian was diluted from 0.036% to 0.032%. The change did not trigger a disclosure obligation under the SFO and therefore the information shown in the table as of 31 December 2022 reflects Ms. SU Dongmei's interests position as required to be disclosed under the SFO.

Save as disclosed above, as at 31 December 2022, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the HKEx pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the HKEX pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than disclosed under the heading "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures", at no time during the Reporting Period was the Company or any of its subsidiaries or holding company or any subsidiary of the Company's holding company a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed below, there was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries during the Reporting Period.

CS Sunshine Transactions

On 13 January 2022, the Company completed an off-market repurchase of 85,760,087 Shares (representing approximately 3.4% of the then total issued Shares) from CS Sunshine Investment Limited ("**CS Sunshine**"), for a total consideration of HKD581,453,389.86, equivalent to HKD6.78 per Share. All such 85,760,087 repurchased Shares had been cancelled by the Company. On the same day, Mighty Decade Limited, a holding company of the trust under the 2019 Share Award Scheme, completed an off-market acquisition from CS Sunshine of 40,357,688 Shares (representing approximately 1.6% of the then total issued Shares) for a total consideration of HKD273,625,124.64, equivalent to HKD6.78 per Share. CS Sunshine is an affiliate of CITIC Securities Company Limited.

Repurchase and Cancellation of Convertible Bonds

In July 2022, the Company repurchased and canceled part of the 2025 Bonds with a total principal amount of EUR31,000,000. After the cancellation, the outstanding principal amount of the 2025 Bonds was approximately EUR289,000,000. For details, please refer to the next day disclosure return of the Company dated 15 July 2022.

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

As at 31 December 2022, to the best of the Directors' knowledge, the following persons (other than the Directors or chief executives of the Company), had interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Nature of Interest	Number of Shares held	Approximate percentage of all Shares in Issue(1)
Decade Sunshine Limited ("**DSL**")(2)	Beneficial owner	476,774,553(L)	19.55%
Century Sunshine Limited ("**CSL**")(2)	Interest in a controlled corporation	476,774,553(L)	19.55%
XING Lily(3)	Interest in a controlled corporation(2)	476,774,553(L)	19.55%
	Interest of spouse(3)	50,614,510(L)	2.08%
		Total: 527,389,063(L)	*21.62%
Lambda International Limited(2)	Interest in a controlled corporation	476,774,553(L)	19.55%
TMF (Cayman) Ltd.(4)	Trustee	578,500,543(L)	23.72%
BlackRock, Inc.	Interest in a controlled corporation	147,101,839(L)	6.03%
		353,000(S)	0.01%

Notes:

(L): denotes long position

(S): denotes short position

*: Figures shown as total may not be an arithmetic aggregation of the figures being added up due to rounding adjustment.

(1) The calculation is based on the total number of 2,438,870,412 Shares in issue as at 31 December 2022.

(2) DSL was wholly-owned by CSL and therefore CSL was deemed to be interested in 476,774,553 Shares held by DSL; further, 42.52% and 35.65% of CSL were respectively controlled by Ms. XING Lily and Lambda International Limited, who were therefore deemed to be interested in such 476,774,553 Shares.

(3) Ms. XING Lily's spouse is Dr. LOU Jing.

(4) TMF (Cayman) Ltd. was the trustee with respect to four unnamed trusts, which respectively were interested in 476,774,553, 50,174,510, 16,561,000, and 34,990,480 Shares, as disclosed under the SFO, and therefore TMF (Cayman) Ltd. was deemed to be interested in all such Shares. With respect to certain changes in such trusts, given that the resulting change of total deemed interest of TMF (Cayman) Ltd. as a substantial shareholder, as a percentage of all Shares in issue, did not cross over whole percentage level, the change did not trigger a disclosure obligation under the SFO and therefore the information shown in the table as of 31 December 2022 reflects that of TMF (Cayman) Ltd.'s interests positions as required to be disclosed under the SFO.

Save as disclosed above, as at 31 December 2022, the Directors and the chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

POST-IPO SHARE OPTION SCHEME

Pursuant to a written resolution passed by the then sole shareholder of the Company on 23 May 2015, the Company adopted a share option scheme pursuant to Chapter 17 of the HKEx Listing Rules (the "**3SBio Option Scheme** "). The details of the 3SBio Option Scheme were disclosed in the Company's prospectus dated 1 June 2015 in the section headed "Statutory and General Information — 5. Post-IPO Share Option Scheme" in Appendix IV. Under the 3SBio Option Scheme, the Company was authorised to issue up to 242,439,857 ordinary shares as at 1 January 2022 and 31 January 2022 (subject to possible adjustments), which represented approximately 9.94% of the issued shares as at the date of this annual report. The purpose of the 3SBio Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

Eligible participants include any directors and employees of any member of the Group (including nominees and/or trustees of any employee benefit trusts established for them) and any advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group).

Unless approved by the shareholders of the Company in accordance with the terms of the 3SBio Option Scheme, the total number of shares issued and to be issued upon exercise of the options granted and to be granted under the 3SBio Option Scheme and any other share option scheme(s) of the Company to each selected participant (including both exercised and outstanding options) in any 12 month period shall not exceed 1% of the total number of shares in issue. An option may be exercised in accordance with the terms of the 3SBio Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the 3SBio Option Scheme. A nominal consideration of RMB1.00 is payable upon acceptance of the grant of an option. For details, please refer to Appendix IV to the Company's prospectus dated 1 June 2015.

The 3SBio Option Scheme will continue to be in effect for a term of ten years unless terminated sooner, and has a remaining term of approximately 2 years as at the date of this annual report. On 28 June 2016, the Company amended the 3SBio Option Scheme to include nominees and/or trustees of employee benefit trusts set up for the employees of the members of the Group as participants eligible to participate in the 3SBio Option Scheme.

The following outstanding share options were granted to the following Directors under the 3SBio Option Scheme as of 31 December 2022:

NAME OR DIRECTOR	NUMBER OF SHARE OPTIONS AS AT 1 JANUARY 2022	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	FORFEITED/ CANCELLED DURING THE YEAR	LAPSED DURING THE YEAR	AS AT 31 DECEMBER 2022	DATE OF GRANT OF SHARE OPTIONS	EXERCISE PERIOD OF SHARE OPTIONS	EXERCISE PRICE OF SHARE OPTIONS *(HKD PER SHARE)*	PRICE OF THE COMPANY'S LISTED SHARES IMMEDIATELY BEFORE THE GRANT DATE OF OPTIONS *(HKD PER SHARE)*	THE WEIGHTED AVERAGE CLOSING PRICE OF THE COMPANY'S LISTED SHARES IMMEDIATELY BEFORE THE EXERCISE DATES *(HKD PER SHARE)*
Dr. Lou Jing	440,000	0	–	0	0	440,000	2 February 2017	From 2 August 2018 to 2 February 2027**	7.62	7.37	8.39
Ms. Su Dongmei*	440,000	–	–	0	0	440,000	2 February 2017	From 2 August 2018 to 2 February 2027**	7.62	7.37	8.39

* The outstanding share options were held by The Empire Trust, a trust established by the Company for beneficiaries who are employees of the Company and its subsidiaries and affiliates, and any other persons as nominated from time to time by the advisory committee of The Empire Trust that is established with the authority of the Board.

** Share options granted are subject to vesting conditions with vesting periods ending 2 August 2018, 2 February 2020 and 2 August 2021.

The following outstanding share options were granted to employee participants# of the Group (apart from Directors) as of 31 December 2022:

NUMBER OF SHARE OPTIONS AS AT 1 JANUARY 2022	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	FORFEITED/ CANCELLED DURING THE YEAR	LAPSED DURING THE YEAR	AS AT 31 DECEMBER 2022	DATE OF GRANT OF SHARE OPTIONS	EXERCISE PERIOD OF SHARE OPTIONS	EXERCISE PRICE OF SHARE OPTIONS *(HKD PER SHARE)*	PRICE OF THE COMPANY'S LISTED SHARES IMMEDIATELY BEFORE THE GRANT DATE OF OPTIONS *(HKD PER SHARE)*	THE WEIGHTED AVERAGE CLOSING PRICE OF THE COMPANY'S LISTED SHARES IMMEDIATELY BEFORE THE EXERCISE DATES *(HKD PER SHARE)*
15,681,000*	–	25,000	0	0	15,656,000	2 February 2017	From 2 August 2018 to 2 February 2027**	7.62	7.37	8.39

* The outstanding share options were held by The Empire Trust, a trust established by the Company for beneficiaries who are employees of the Company and its subsidiaries and affiliates, and any other persons as nominated from time to time by the advisory committee of The Empire Trust that is established with the authority of the Board.

** Share options granted are subject to vesting conditions with vesting periods ending 2 August 2018, 2 February 2020 and 2 August 2021.

\# Employee Participants include employees of any member of the Group (apart from Directors).

All of the above grants were made prior to the amendment to Chapter 17 of the HKEx Listing Rules and none of the grants of options to any participant is in excess of the 1% individual limit.

Please refer to note 34 to the consolidated financial statements in this annual report for the accounting policy adopted for share options.

SHARE AWARD SCHEME

The Company adopted the 2019 Share Award Scheme to recognise the contributions by selected participants and to motivate and give incentives thereto in order to retain them for the continual operation and development of the Group; to attract suitable personnel for further development of the Group; and to provide selected participants with a direct economic interest in attaining a long-term relationship between the Group and the selected participants.

The 2019 Share Award Scheme was initially adopted by the Board on 16 July 2019 (the "**Adoption Date**"), with subsequent amendments thereafter. To provide more flexibility to the Company to operate an effective and efficient incentive plan with reference to market practices and for the purpose of the Trust's Acquisition as further elaborated in the section headed "CONNECTED TRANSACTIONS — Connected transaction in relation to the Trust's Acquisition and the Share Buy-back" of this annual report, the Board has resolved to amend the terms of the 2019 Share Award Scheme on 12 December 2021 to allow the purchase or subscription of the Shares purchased or subscribed by the trustee appointed in relation to the 2019 Share Award Scheme and reserved for award(s) as may be granted in future to selected participants. On the same date, the Company entered into a trust deed with Tricor Trust (Hong Kong) Limited and appointed Tricor Trust (Hong Kong) Limited as trustee (the "**Trustee**") to assist with the administration of the 2019 Share Award Scheme pursuant to the 2019 Share Award Scheme. Save for the aforementioned and other incidental changes, no other substantive changes have been made to the 2019 Share Award Scheme and all other terms of the 2019 Share Award Scheme remain effective.

The 2019 Share Award Scheme allows Shares to be awarded to any director and employee of any member of the Group (including nominee and/or trustee of any employee benefit trust established for them) and any advisor, consultant, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner, service provider of any member of the Group who the Board considers, in its sole discretion, has contributed or will contribute to the Group. The Board has the power, at its absolute discretion and based on such factors and circumstances as it considers relevant and appropriate, to determine the terms and conditions in respect of each award, including but not limited to the vesting date and other vesting conditions, which shall be set out in the award letter to be issued by the Company to the relevant selected participant.

The maximum number of Shares which can be awarded under the 2019 Share Award Scheme is 10% of the total issued Shares as at the Adoption Date and, unless otherwise approved by the Board and/or the Shareholders (if applicable), the maximum number of Shares which can be awarded to a selected participant under the 2019 Share Award Scheme in a 12-month period shall not exceed 1% of the total issued Shares as at the Adoption Date, in accordance with the relevant requirements under the Listing Rules. The total issued Shares as at the Adoption Date were 2,535,002,551 Shares.

Subject to any early termination as may be determined by the Board pursuant to the terms of the 2019 Share Award Scheme, or unless the Board by resolutions, resolve otherwise, the 2019 Share Award Scheme shall be valid and effective for a term of ten years commencing on the Adoption Date, and has a remaining term of approximately 6 years as at the date of this annual report.

Further details of the 2019 Share Award Scheme are set out in note 34 to the consolidated financial statements in this annual report.

As at 31 December 2022, details of the awarded shares granted under the 2019 Share Award Scheme of the Company were as follows:

SHARE AWARDS HOLDERS	DATE OF AWARD	NUMBER OF AWARDED SHARES	NUMBER OF AWARDED SHARES: AS AT 1 JANUARY 2022	AWARDED DURING THE YEAR	VESTED DURING THE YEAR	LAPSED DURING THE YEAR	AS AT 31 DECEMBER 2022	VESTING PERIOD	CLOSING PRICE IMMEDIATELY BEFORE THE DATE OF AWARD *(HKD PER SHARE)*
Employee	16 July 2019[1]	9,885,448	–	–	–	–	–	March 2020 to March 2023[3]	13.88
	7 September 2020[2]	10,000,000	–	–	–	–	–	NA[4]	8.98
Total		19,885,448	–	–	–	–	–		

Notes:

(1) On 16 July 2019, the Board resolved to grant a maximum of 10,000,000 awarded Shares to 37 independent employees of the Group, pursuant to the terms of the 2019 Share Award Scheme, in order to recognize the contributions of the independent employees to the Group. For details, please refer to the announcement of the Company dated 17 July 2019 and note 34 to the consolidated financial statement in this annual report.

(2) On 7 September 2020, the Board resolved to conditionally grant 10,000,000 new awarded Shares to Dr. Zhu. of which 5,000,000 awarded Shares and 2,250,000 awarded Shares have so far been issued and allotted to Dr. Zhu on 14 April 2021 and 8 March 2022, respectively. For details, please refer to the announcement of the Company dated 8 September 2020 and circular of the Company dated 16 October 2020.

(3) These awarded Shares are subject to vesting conditions involving financial targets and vesting periods.

(4) These awarded Shares are not subject to any vesting condition or vesting period.

(5) All of the above grants were made prior to the amendment to Chapter 17 of the Listing Rules taking effect.

CONVERTIBLE BONDS

The 2022 Bonds

In July 2017, the Group, through Strategic International, a direct wholly-owned subsidiary of the Company, conducted an international offering of Euro-denominated zero-coupon convertible bonds, or the 2022 Bonds, in an aggregate principal amount of EUR300,000,000, due 2022, which was unconditionally and irrevocably guaranteed by the Company. The issue of the 2022 Bonds was completed on 21 July 2017. The information regarding the 2022 Bonds is summarized in the Company's announcements dated 12 July 2017, 13 July 2017 and 21 July 2017.

All the 2022 Bonds had been repurchased or redeemed as of 4 September 2020. With respect to the repurchases, redemption and delisting of the 2022 Bonds, please refer to the section headed "Management Discussion and Analysis — Business Review — Key Events — Repurchases and Redemption of Existing 2022 Bonds" in the 2020 Annual Report of the Company for more details.

Use of Proceeds of the 2022 Bonds

The net proceeds of approximately EUR295,898,164 represented a net issue price of approximately HKD14.04 per conversion share based on the initial conversion price of HKD14.28 per conversion share. As disclosed in the announcement of the Company dated 12 July 2017 in relation to the then proposed issue of the 2022 Bonds, the net proceeds from the 2022 Bonds were proposed to be used for repaying the loans of the Group, future merger and acquisitions, R&D, purchase of operation facilities and other general corporate purposes. As at 30 June 2022, all of the net proceeds of the 2022 Bonds had been allocated or applied to repaying the loans of the Group, merger and acquisitions, purchase of operation facilities and other general corporate purposes.

2025 Bonds Issue

As announced on 29 June 2020, Strategic International successfully completed the issuance, to institutional investors, of the 2025 Bonds, which was guaranteed by the Company. The listing of, and permission to deal in, the 2025 Bonds on the HKEx became effective on 30 June 2020.

The 2025 Bonds constitute direct, unconditional, unsubordinated and (subject to the provision relating to the negative pledge in respect thereof) unsecured obligations of Strategic International and shall rank pari passu and without any preference or priority among themselves.

Use of Proceeds of the 2025 Bonds

The net proceeds from the issuance of the 2025 Bonds (after deduction of commissions and other related expenses) were approximately EUR316,800,000. Such net proceeds were used to pay for the repurchase and the redemption of the 2022 Bonds.

For more information regarding the issuance of the 2025 Bonds, please refer to the announcements of the Company dated 17 June 2020, 18 June 2020 and 29 June 2020.

2025 Bonds Conversion Price and Shares to be Issued upon Full Conversion

As at 31 December 2022, the outstanding principal amount of the 2025 Bonds was approximately EUR289,000,000.

As announced on 17 June 2020, the initial conversion price of the 2025 Bonds was HKD13.1750 per Conversion Share[9], which represented (i) a premium of approximately 25% over the closing price of HKD10.54 per Share as quoted on the HKEx on 17 June 2020 (being the trading day on which the subscription agreement for the 2025 Bonds was entered into) and (ii) a premium of approximately 31.72% over the average closing price of approximately HKD10.0020 per Share as quoted on the HKEx for the five consecutive trading days up to and including 17 June 2020.

As at 31 December 2022, assuming full conversion of the 2025 Bonds at the initial conversion price of HKD13.1750 per Conversion Share and there being no further issue of Shares, the 2025 Bonds would be convertible into 191,494,580 Shares, representing approximately 7.85% of the issued share capital of the Company and approximately 7.28% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. The Company has a general mandate sufficient to cover the shares issueable upon full conversion of the 2025 Bonds.

The following table summarises the potential effects on the shareholding structure of the Company as a result of the full conversion of the 2025 Bonds:

	As at 31 December 2022		Assuming the 2025 Bonds are fully converted at the initial Conversion Price	
Name of Shareholders	Number of Shares	Approximate % of total issued Shares	Number of Shares	Approximate % of enlarged issued Shares
DSL[(1)]	476,774,553	19.55%	476,774,553	18.13%
Hero Grand Management Limited[(2)]	50,174,010	2.06%	50,174,010	1.91%
Directors[(3)]	98,671,980	4.05%	98,671,980	3.75%
Mighty Decade Limited[(4)]	40,357,688	1.65%	40,357,688	1.53%
Other public shareholders	1,772,892,181	72.69%	1,772,892,181	67.40%
Bondholders	—	—	191,494,580	7.28%
Total	2,438,870,412	100.00%	2,630,364,992	100.00%

9 **"Conversion Share(s)"** refers to the Share(s) to be issued by the Company upon conversion of the 2025 Bonds pursuant to the trust deed and the terms and conditions that govern the 2025 Bonds.

Notes:

(1) DSL is a company controlled by Dr. LOU Jing.

(2) Hero Grand Management Limited is owned by an unnamed trust that is owned as to 100% by TMF (Cayman) Ltd. as the trustee, and Dr. LOU Jing (Chairman of the Board) is the settlor and a beneficiary of the trust. As at 31 December 2022, Hero Grand Management Limited held approximately 2.06% of the total issued share capital of the Company, of which 1.71% was held on trust for Dr. LOU Jing and 0.35% was held by itself.

(3) To the best knowledge of the Company based on information available to the Company, the Directors (other than Dr. LOU Jing), together with a relevant former director, held approximately 4.05% of the total issued share capital of the Company in aggregate as at 31 December 2022.

(4) Mighty Decade Limited is a company incorporated in the British Virgin Islands as a holding company of the trust established under the 2019 Share Award Scheme.

CONNECTED TRANSACTIONS

Connected transaction in relation to the Trust's Acquisition and the Share Buy-back

As announced on 13 December 2021, Mighty Decade Limited, a holding company of the trust under the 2019 Share Award Scheme, and CS Sunshine entered into a sale and purchase agreement relating to an off-market acquisition by Mighty Decade Limited of 40,357,688 Shares (representing approximately 1.6% of the then total issued Shares) held by CS Sunshine for a total consideration of HKD273,625,124.64, equivalent to HKD6.78 per Share (the "**Trust's Acquisition**"). On the same day, the Company entered into a share buy-back agreement relating to an off-market share buy-back by the Company of 40,357,688 shares (representing approximately 1.6% of the then total issued Shares) held by CS Sunshine (the "**Buy-back Shares**") for a total consideration of HKD273,625,124.64, equivalent to HKD6.78 per Share (the "**Share Buy-back**").

As announced on 10 January 2022, the Trust's Acquisition and the Share Buy-back were both approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on the same day. Completion of both the Trust's Acquisition and the Share Buy-back took place on 13 January 2022. The Buy-back Shares were bought back by the Company on 13 January 2022 and subsequently cancelled on 25 January 2022.

As CS Sunshine was then a substantial shareholder of the Company, CS Sunshine was then a connected person of the Company under the HKEx Listing Rules. Accordingly, both the Trust's Acquisition and the Share Buy-back (which are inter-conditional upon each other) constitute connected transactions of the Company under Chapter 14A of the HKEx Listing Rules and were subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the HKEx Listing Rules.

For further details of the Trust's Acquisition and the Share Buy-back, please refer to the announcements of the Company dated 13 November 2021, 21 December 2021, 10 January 2022, 13 January 2022 and the circular of the Company dated 21 December 2021.

Connected transaction in relation to the Facility Agreement with Medical Recovery

On 17 July 2018, Strategic International, a direct wholly-owned subsidiary of the Company, entered into a facility agreement (the "**Facility Agreement**") with Medical Recovery Limited ("**Medical Recovery**"), one of the controlling shareholders of the Company. Pursuant to the Facility Agreement, Strategic International agreed to provide a loan (the "**Loan**") to Medical Recovery in the principal amount of USD30,000,000 with an interest rate of 4% per annum. In connection with the Facility Agreement, a debenture was also made between Medical Recovery as chargor and Strategic International as chargee, pursuant to which all assets of Medical Recovery were charged to Strategic International. The Facility Agreement was subject to a final maturity date (the "**Maturity Date**") of 12 months after the date of the Facility Agreement or an extended date as agreed by Strategic International and Medical Recovery. As announced on 18 July 2021, Strategic International and Medical Recovery agreed to further extend the Maturity Date to 17 July 2023 (the "**Latest Extension**").

As at 18 July 2021, being the date on which the Company announced the Latest Extension, Medical Recovery directly held approximately 1.44% of the then issued share capital of the Company, and was an associate of connected persons of the Company for purposes of the HKEx Listing Rules as it is controlled by Dr. LOU Jing, Ms. SU Dongmei and Mr. HUANG Bin, all Directors. Therefore, the Loan and its subsequent extensions including the Latest Extension constituted connected transactions of the Company under Chapter 14A of the HKEx Listing Rules. As the highest applicable percentage ratio in respect of the Facility Agreement and the subsequent extensions of the Loan including the Latest Extension in aggregate pursuant to Rule 14A.81 of the HKEx Listing Rules was more than 0.1% but less than 5%, the Latest Extension and the transaction contemplated thereunder were subject to the reporting and announcement requirements but were exempt from the independent Shareholders' approval requirements under the HKEx Listing Rules.

The purpose of the Loan is for Medical Recovery to purchase the issued ordinary shares of the Company for employee retention and incentives purposes. The Company considered it an effective and efficient way to motivate and incentivize its employees, which is beneficial to the sustainable development of the Group. Additionally, the Board considered that the Group had surplus cash resources and the entering into of the Facility Agreement can put such resources to more efficient use and to generate better returns.

For further details of the Facility Agreement and the subsequent extensions of the Loan including the Latest Extension, please refer to the announcements of the Company dated 17 July 2018, 17 July 2019, 17 July 2020 and 18 July 2021.

Note 40 to the Consolidated Financial Statements

In respect of the Company's related party transactions disclosed in note 40 to the consolidated financial statements prepared in accordance with International Financial Reporting Standards, to the extent that they constitute connected transactions of the Company for the purpose of the HKEx Listing Rules that apply to them, the Company confirms that it has complied with the relevant requirements under the HKEx Listing Rules (if applicable).

Save as disclosed above, the related party transactions of the Company set out in note 40 to the consolidated financial statements prepared in accordance with International Financial Reporting Standards do not constitute connected transactions of the Company under the HKEx Listing Rules.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, as at 31 December 2022, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

DONATIONS

The Group supports various medical charity projects. The donation made by the Group for the Reporting Period was approximately RMB22.2 million. Please refer to Section 7.2 "Enhancing Accessibility to Medicines and Medical Services" in the Company's "2022 Environmental, Social and Governance Report" ("**ESG Report**") as released on 28 April 2023.

SIGNIFICANT LEGAL PROCEEDINGS

For the Reporting Period, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

Please refer to the subsection "Key Events - Arbitration of Sunshine Guojian" in "Management Discussion and Analysis" regarding certain arbitration to which Sunshine Guojian is a party.

ENVIRONMENTAL PROTECTION

The Group is subject to national and local environmental laws and regulations of the PRC. The Group has established detailed internal rules regarding environmental protection. The Group tests effluent water to ensure compliance with national emission standards. Solid waste is sorted for proper disposal. Hazardous waste is sent to qualified third parties for treatment. When a new construction project is proposed, the Group conducts comprehensive analysis and testing on the environmental issues involved in the manufacturing processes. The Group's production team and in-house legal department are primarily responsible for ensuring compliance with applicable environmental rules and regulations. All of the Group's properties, plants and equipment meet the standards required for compliance with applicable environmental rules and regulations, and the Group believes it has maintained a good relationship with the communities surrounding the Group's production facilities.

To the best knowledge of the Group, during the Reporting Period, there were no material breaches of national and local environmental laws and regulations of the PRC.

The ESG report of the Group, which is published respectively on the same date of this annual report, on the websites of the HKEx (www.hkexnews.hk) and the Company (www.3sbio.com) under the section "investor Relation".

RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that various stakeholders including employees, medical experts, distributors, suppliers and other business associates are key to Group's success. The Group strives to achieve corporate sustainability through engaging, collaborating, and cultivating strong relationship with them.

The Group believes that it is vital to attract, recruit and retain quality employees. To maintain the quality, knowledge and skill levels of Group's workforce, the Group provides the employees with periodic training, including introductory training for new employees, technical training, professional and management training, and health and safety training. The Group believes that it maintains a good relationship with its employees and the Group did not experience any significant labour disputes or any difficulty in recruiting staff for its operations.

The Group conducts academic marketing activities to establish and maintain relationships with key opinion leaders in the national medical system, as well as the department heads and senior physicians in Group's target hospitals, particularly Grade III hospitals. The Group provides these experts with detailed information on its products and helps them make independent comparisons among competing products in the market. The Group also maintains long-term cooperative relationships with national academic associations, such as the Chinese Society of Nephrology (中華腎臟病學會) and the Chinese Society of Clinical Oncology (中國臨床腫瘤學會). The Group believes that its relationships with medical experts help to raise Group's profile, enhance awareness of Group's products in the medical community and among patients, and provide it with valuable clinical data to improve Group's products, all of which help the Group more effectively market and sell its products.

A significant amount of Group's sales is attributable to a limited number of distributors. The Group selects the distributors based on their qualifications, reputation, market coverage and sales experience. The Group generally has long term business relationship with its large distributors.

The Group values long-term technological cooperation with suppliers and has entered into long-term supply agreements with key suppliers, so as to secure the production stability of the Group. The Group strictly manages the quality of supplier products and comprehensively manages the social and environmental risks associated with suppliers through measures such as diversified management, daily monitoring and communication, training, green procurement, and assessment and auditing.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with laws and regulatory requirements. The Group has been allocating corporate and staff resources to ensure ongoing compliance with rules and regulations, including retaining external counsels and advisors. During the Reporting Period, the Group has complied, to the best of its knowledge, with all relevant rules and regulations that have a significant impact on it.

To the best knowledge of the Group, during the Reporting Period, there were no material breaches of the Group's internal rules or PRC laws and regulations relating to the promotion and distribution of the Group's pharmaceutical products by its employees, distributors, sub-distributors or third-party promoters.

PERMITTED INDEMNITY PROVISION

The Articles of Association provides that every Director of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur as a result of any act or failure to act in the execution of their duty, or supposed duty, and in their respective offices or trusts provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty.

The Company has arranged appropriate insurance coverage in respect of potential legal actions against its Directors and senior management.

POST BALANCE SHEET EVENTS

The Group has no material post-balance sheet events.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has, together with the management and external auditor of the Company (the "**Auditor**"), reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements for the Reporting Period. The Audit Committee has also reviewed the effectiveness of the risk management and internal control systems of the Company and considers them to be effective and adequate.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 63 to 80 of this annual report.

CLOSURE OF REGISTER OF SHAREHOLDERS

The AGM is scheduled to be held on Tuesday, 20 June 2023. For determining the entitlement to attend and vote at the AGM, the register of shareholders of the Company will be closed from Thursday, 15 June 2023 to Tuesday, 20 June 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer of shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 14 June 2023.

For determining the entitlement to the final dividend, the register of shareholders of the Company will be closed from Thursday, 29 June 2023 to Monday, 3 July 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be entitled to the final dividend, all transfer of shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 28 June 2023.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in or exercising of any rights (including entitlements to any relief of taxation) in relation to the Shares, they are advised to consult their professional advisers.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued shares, the prescribed minimum percentage of public float approved by the HKEx and permitted under the HKEx Listing Rules, was held by the public at all times during the Reporting Period and as of the date of this annual report.

AUDITOR

Ernst & Young was appointed as the Auditor for the Reporting Period.

Ernst & Young shall retire at the forthcoming AGM and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of Ernst & Young as the Auditor will be proposed at the AGM.

On behalf of the Board

Dr. LOU Jing
Chairman

Hong Kong SAR
PRC
21 March 2023

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the Reporting Period.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the HKEx Listing Rules as its own code of corporate governance.

Save as disclosed in this annual report, the Company has complied with all applicable code provisions under the CG Code throughout the Reporting Period. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the remuneration committee (the **"Remuneration Committee**") and the nomination committee (the **"Nomination Committee"**) (together, the **"Board Committees"**). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

The Board has established purpose, values and strategy of the Company, and has satisfied itself that these objectives and the Company's culture are aligned. All Directors have acted with integrity, led by example, and promoted the desired culture of the Company. The Company's culture instills, and continually reinforces across the Company, the importance of values of acting lawfully, ethically and responsibly.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

Board Composition

As at the date of this annual report, the Board comprises two executive Directors, one non-executive Director and four independent non-executive Directors as follows:

Executive Directors:
Dr. LOU Jing (*Chairman & Chief Executive Officer*)
Ms. SU Dongmei

Non-executive Director:
Mr. HUANG Bin

Independent Non-executive Directors:
Mr. PU Tianruo
Ms. YANG, Hoi Ti Heidi
Mr. NG, Joo Yeow Gerry
Dr. ZHANG Dan

The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

During the Reporting Period and up to the date of this annual report, the Board has at all times met the requirements under Rules 3.10 (1) and 3.10 (2) of the HKEx Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the HKEx Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage. Therefore, the Company has adopted a Board diversity policy to set out the approach to diversity on the Board. As provided in the Board diversity policy, the nomination committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy. In relation to reviewing and assessing the Board composition, the nomination committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. The nomination committee will discuss, and where necessary, agree on the measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. The Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth. The nomination committee will review the Board diversity policy as appropriate and recommend revisions, if any, to the Board for consideration and approval. The Board will review the implementation and effectiveness of the Board diversity policy on an annual basis.

As each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the HKEx Listing Rules, the Company considers all of them to be independent.

None of the Directors has any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and chief executive.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring Directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as the identity of the public companies or organisations and the time involved to the issuer, Directors have agreed to disclose their commitments and any subsequent change to the Company in a timely manner.

Independent Views

The Board has a majority of independent non-executive directors, four out of a total of seven Directors. In assessing whether a potential candidate is qualified to become an independent non-executive director of the Company, the Nomination Committee and the Board will consider, among others, whether the candidate is able to devote sufficient time to perform his/her duties as an independent non-executive director of the Company, and the background and qualification of the candidate, in order to assess whether such candidate is able to bring independent views to the Board.

The Company will ensure that there are channels (in addition to independent non-executive directors) where independent views are available, including but not limited to the availability of access by the Directors to external independent professional advice to assist with their performance of duties.

The Board reviews the implementation and effectiveness of the above mechanism(s) on an annual basis.

Gender Diversity:

Ms. SU Dongmei was appointed as a Director in June 2012 and was re-designated as an executive Director in November 2014. Ms. YANG, Hoi Ti Heidi was appointed as an independent non-executive Director in June 2021. As of June 2021, the female representation in the Board has been increased to near 30%. Ms. YANG has also served as the Chairlady of the Remuneration Committee since January 2022. The Board believes its efforts and achievement in regard to gender diversity on the Board are satisfactory. The Board will monitor its gender diversity at Board membership changes, with regard to the need for successor planning measures.

For the past three years, the female employees represented 50.36%, 51.44% and 52.68% respectively in the Group’s workforce. For further details regarding gender diversity and the relevant policy of the Group, please refer to the Section 4.1 “Employee’s Rights, Interests and Welfare” and Section 8 “Performance Data” in the ESG Report.

Induction and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company has from time to time updated and provided written training materials relating to the roles, functions and duties of a Director.

A summary of training received by the Directors throughout the Reporting Period is as follows:

Name of Directors	Nature of Continuous Professional Development Programmes
Executive Directors	
Dr. LOU Jing	A and B
Ms. SU Dongmei	B
Non-executive Directors	
Mr. HUANG Bin	B
Mr. TANG Ke (resigned on 30 December 2022)	B
Independent Non-executive Directors	
Mr. PU Tianruo	B
Ms. YANG, Hoi Ti Heidi	B
Mr. NG, Joo Yeow Gerry (appointed on 21 January 2022)	B
Dr. ZHANG Dan (appointed on 30 December 2022)	B and D
Dr. WONG Da Silva Lap Yan Leo De Rothschild (formerly known as Wong Lap Yan) (resigned on 21 January 2022)	B

Notes:

A: Attending seminars and/or meetings and/or forums and/or briefings

B: Reading materials relevant to corporate governance, director's duties and responsibilities, the HKEx Listing Rules and other relevant ordinances

C: Giving talks in the seminars and/or meetings and/or forums

D: Attending training relevant to the Company's business conducted by lawyers

Separation of the Roles of Chairman and Chief Executive Officer

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals.

Dr. LOU Jing, the chairman of the Board, was also appointed as the chief executive officer of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enabling more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will from time to time review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at an appropriate time, taking into account the circumstances of the Group as a whole.

Appointment and Re-election of Directors

Dr. LOU Jing, one of the executive Directors, has entered into a service contract with the Company for an initial term of three years commencing from the date of his appointment and continue for a period of three years after or until the third AGM of the Company since the Listing Date (whichever is earlier), which shall be automatically renewed for successive periods of three years until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other prior notice in writing. Ms. SU Dongmei, the other executive Director, has entered into a service contract with the Company for an extended term of three years commencing from the date of the 2021 AGM of the Company until the date of the second upcoming AGM of the Company from the date hereof, which shall be automatically renewed for a further three years, unless otherwise terminated in accordance with the terms and conditions of the service contract.

Mr. HUANG Bin, the non-executive Director, entered into an appointment letter with the Company for a term commencing from 20 June 2019 until the date of the 2022 AGM of the Company, which has been automatically renewed for a further three years, unless otherwise terminated in accordance with the terms and conditions of the appointment letter.

Mr. PU Tianruo, one of the independent non-executive Directors, entered into an appointment letter with the Company on 23 May 2015. The appointment under the aforementioned letter had been renewed and extended until the date of the 2022 AGM of the Company, which has been automatically renewed for a further three years, unless otherwise terminated in accordance with the terms and conditions of the appointment letter. Ms. YANG, Hoi Ti Heidi, one of the independent non-executive Directors, has entered into an appointment letter with the Company for a term of three years commencing from the date of the 2021 AGM, which shall then be automatically renewed for a further three years, unless otherwise terminated in accordance with the terms and conditions of the appointment letter. Mr. NG, Joo Yeow Gerry, one of the independent non-executive Directors, entered into a letter of appointment with the Company for a term of one year commencing from 21 January 2022. The appointment under the aforementioned letter has been extended for a further one year, unless otherwise terminated in accordance with the terms and conditions of the letter of appointment. Dr. ZHANG Dan, the other independent non-executive Director, has entered into a letter of appointment with the Company for a term of one year commencing from 30 December 2022.

Save as disclosed above, none of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy shall submit himself for re-election by the shareholders at the first general meeting of the Company after appointment and new Directors appointed as an addition to the Board shall submit himself for re-election by the shareholders at the next following AGM of the Company after appointment.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days have been given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. In 2022, four regular board meetings were held.

For other Board and Board Committee meetings, reasonable notices have been generally given. The agenda and accompanying board papers have been dispatched to the Directors or Board Committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings are kept by the Company with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

During the Reporting Period, four board meetings and one general meeting were held and the attendance of each Director at these meetings is set out in the table below:

Directors	Attended/Eligible to attend the Board meetings	Attended / Eligible to attend the general meeting
Executive Directors		
Dr. LOU Jing	4/4	1/1
Ms. SU Dongmei	4/4	1/1
Non-executive Directors		
Mr. HUANG Bin	4/4	1/1
Mr. TANG Ke (resigned on 30 December 2022)	3/3	1/1
Independent Non-executive Directors		
Mr. PU Tianruo	4/4	1/1
Ms. YANG, Hoi Ti Heidi	4/4	1/1
Mr. NG, Joo Yeow Gerry (appointed on 21 January 2022)	3/3	1/1
Dr. ZHANG Dan (appointed on 30 December 2022)	N/A	N/A
Dr. WONG Da Silva Lap Yan Leo De Rothschild (formerly known as Wong Lap Yan) (resigned on 21 January 2022)	N/A	N/A

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the HKEx Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry with the Directors, all Directors confirmed that they have complied with the required standards as set out in the Model Code during the Reporting Period.

Code provision C.1.3 of the CG Code stipulates that the Company must establish guidelines no less exacting than the Model Code for relevant employees in respect of their dealings in the Company's securities. To comply with the CG Code, the Company has adopted a set of guidelines no less exacting than the Model Code for relevant employees in respect of their dealings in the Company's securities prior to the Listing Date.

Delegation by the Board

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of the Directors which includes:

(a) developing and reviewing the Company's policies and practices on corporate governance;

(b) reviewing and monitoring the training and continuous professional development of Directors and senior management of the Company;

(c) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

(d) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Long-Term Corporate Performance and Strategy

The Company makes long term financial performance as a corporate governance objective. The mission of the Company is to provide better care for patients through innovation and excellence in its core and related therapeutic areas. The Company aims to strengthen its leadership position in the PRC biotechnology industry and to expand its international business in the next few years.

BOARD COMMITTEES

Audit Committee

The Audit Committee currently comprises three members, all independent non-executive Directors, namely, Mr. PU Tianruo *(Chairman)*, Ms. YANG, Hoi Ti Heidi and Mr. NG, Joo Yeow Gerry.

The principal duties of the Audit Committee include the following:

1. reviewing the relationship with the Auditor by reference to the work performed by the Auditor, their fees and terms of engagement, and making recommendations to the Board on the appointment, re-appointment and removal of the Auditor;

2. reviewing the financial statements and reports and considering any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function or the Auditor before submission to the Board; and

3. reviewing the adequacy and effectiveness of the Company's financial reporting system, internal control and risk management systems and associated procedures, including the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The written terms of reference of the Audit Committee, which include those set forth in code provisions D.3.3 and D.3.7 of the CG Code, are available on the websites of the HKEx and the Company.

During the Reporting Period, three meetings of the Audit Committee were held to discuss and consider the following matters:

- final results of the Company and its subsidiaries for the fiscal year as well as the audit report prepared by the Auditor relating to accounting issues and major findings in the course of audit;

- interim results of the Company and its subsidiaries for the six-month period ended 30 June 2022; and

- the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function) and risk management systems and processes, and the re-appointment of the Auditor, with respect to which the Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of the Auditor.

Attendance of each Audit Committee member is set out in the table below:

Directors	Attended/Eligible to attend
Mr. PU Tianruo (*Chairman*)	3/3
Ms. YANG, Hoi Ti Heidi	3/3
Mr. NG, Joo Yeow Gerry (appointed on 21 January 2022)	3/3
Dr. WONG Da Silva Lap Yan Leo De Rothschild (formerly known as Wong Lap Yan) (resigned on 21 January 2022)	N/A

Nomination Committee

The Nomination Committee currently comprises three members, including an executive Director, Dr. LOU Jing *(Chairman)*, and two independent non-executive Directors, Mr. PU Tianruo and Mr. NG, Joo Yeow Gerry.

The principal duties of the Nomination Committee include the following:

1. reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. developing the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship;

3. identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;

4. assessing the independence of independent non-executive Directors;

5. making recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors, in particular the chairman and the chief executive officer; and

6. developing a policy concerning diversity of Board members, and disclosing the policy or a summary of the policy in the corporate governance report.

The written terms of reference of the Nomination Committee are available on the websites of the HKEx and the Company.

The nomination policy of Directors of the Company sets as one of its objectives to ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. For a summary of the Company's Board diversity policy, please refer to the relevant paragraph in the "Board Composition" section of this Corporate Governance Report.

Pursuant to these policies, in assessing and selecting candidates, the Board and the Nomination Committee should consider various factors including integrity, age, gender, skills, knowledge, experience, expertise, professional and educational qualifications, background, the board's composition and diversity, availability of service to the Company, expected contribution, independence, conflicts of interest, and any other relevant factors.

The Nomination Committee identifies or selects candidates pursuant to the criteria as set out above. The Nomination Committee then makes recommendation to the Board including the terms and conditions of the appointment. The Board deliberates and decides on the appointment based upon the recommendation of the Nomination Committee. All appointments of director should be confirmed by a service contract or letter of appointment (as the case may be) setting out the key terms and conditions. As applicable, the Board shall make recommendation to shareholders in respect of the proposed election or re-election of director at a general meeting.

During the Reporting Period, one meeting of the Nomination Committee was held. All three members of the Nomination Committee attended the meeting.

Remuneration Committee

The Remuneration Committee currently comprises three members, all independent non-executive Directors, namely, Ms. YANG, Hoi Ti Heidi *(Chairlady)*, Mr. PU Tianruo and Dr. ZHANG Dan.

The principal duties of the Remuneration Committee include the following:

1. making recommendations to the Board on the Company's policy and structure for the remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies;

2. reviewing and approving the management's remuneration proposals with reference to the corporate goals and objectives determined by the Board;

3. making recommendations to the Board on the remuneration packages of executive Directors and senior management;

4. making recommendations to the Board on the remuneration of non-executive Directors;

5. considering factors such as the level of remuneration paid by comparable companies, the time commitment and responsibilities of Directors and senior management, and the employment conditions of the Company and its subsidiaries and consolidated affiliated entities;

6. ensuring that no Director or any of his/her associates is involved in deciding his or her own remuneration;

7. reviewing and approving compensation payments and arrangements to Directors and senior management for loss or termination of their office or appointment, or dismissal or removal for misconduct and assessing whether the proposed payments or arrangements are fair, reasonable, consistent with the relevant contractual terms, or otherwise appropriate; and

8. reviewing and/or approving matters relating to share schemes under Chapter 17 of the HKEx Listing Rules, including any grants of options or awards to Directors or senior management, and to make disclosure and give explanation on the appropriateness to such material matters (if any) being approved in the corporate governance report.

The written terms of reference of the Remuneration Committee, which include those set forth in code provision E.1.2 of the CG Code, are available on the websites of the HKEx and the Company. The written terms of reference of the Remuneration Committee has been amended on 30 December 2022 to add the item 8 immediately above, as required by the amended HKEx Listing Rules.

The work performed by the Remuneration Committee during the Reporting Period included: (1) determining the policy for the remuneration of the executive Directors; and (2) assessing performance of the executive Directors. With respect to the service contracts of the two executive Directors, such contracts have been reviewed and approved by the Remuneration Committee and the Board prior to the Reporting Period and have been in force through the Reporting Period, with no grounds for termination under the terms of such contracts in the Reporting Period.

During the Reporting Period, one meeting of the Remuneration Committee was held. Attendance of each Remuneration Committee member is set out in the table below:

Directors	Attended/Eligible to attend
Ms. YANG, Hoi Ti Heidi (Chairlady) (appointed on 21 January 2022)	1/1
Mr. PU Tianruo	1/1
Dr. ZHANG Dan (appointed on 30 December 2022)	N/A
Mr. TANG Ke (resigned on 30 December 2022)	1/1
Dr. WONG Da Silva Lap Yan Leo De Rothschild (resigned on 21 January 2022) (formerly known as Wong Lap Yan)	N/A

Remuneration of Directors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management of the Group. Details of the remuneration by band of the members of the Board and senior management of the Company for the Reporting Period are set out below:

Remuneration band	Number of individual
Nil to RMB1,000,000	8
RMB1,000,001 to RMB1,500,000	3
RMB1,500,001 to RMB2,000,000	1
RMB2,000,001 to RMB2,500,000	1
RMB2,500,001 to RMB3,000,000	0
RMB3,000,001 to RMB3,500,000	0
RMB3,500,001 to RMB4,000,000	1
RMB4,000,001 to RMB4,500,000	1
Above RMB4,500,000	0

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the Reporting Period which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with quarterly updates on Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the Auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 86 to 88 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for the Company's risk management and internal control systems and reviewing their effectiveness. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group's risk management and internal control systems provide a comprehensive and organized structure with clearly defined scopes of responsibilities, authorities and procedures. The Group has a designated risk management and internal control team which is responsible for identifying and monitoring the Group's risks and internal control issues and reports directly to the Board of any findings and follow-up actions. Each department of the Group is also required to adhere strictly to the Group's internal control procedures and report to the risk management and internal control team of any risks or internal control issues.

The Group conducts self-assessment each year to confirm that all departments and the Group have properly complied with the risk management and internal control policy.

The internal audit department is responsible for independent review of the adequacy and effectiveness of risk management and internal control systems. During the year under review, the internal audit department reviewed important issues such as the relevant strategic management, major operational and financial reporting procedure adequacy of resources, staff qualifications and experiences, regulatory compliance, and provided its findings and recommendations to the Audit Committee for improvement.

Any internal control defects identified by the internal audit department will be communicated to the department in question with advice for correction and remediation. Before the end of the year, the status will be reviewed. The compliance department will also assist in the correction and remediation. Any unresolved control defects at the end of the year will be informed to the management. For the Reporting Period, no material internal control defect was detected.

The Audit Committee reviews the Company's material controls, including financial, operational and compliance controls, and risk management and internal control systems at least annually. During the Reporting Period, the Audit Committee conducted a review of the effectiveness of the risk management and internal control systems of the Group, including the above-mentioned material controls. The review has covered various aspects of the Group's risk management and internal control systems. In the review, the Audit Committee reviewed the report from the management and the findings and recommendations from the internal audit department. The review results were reported to the Board. The Board is satisfied that such systems are effective and adequate.

Information Disclosure Policy

The Group has also adopted an information disclosure policy which has set out comprehensive guidelines in respect of handling and dissemination of inside information. The Board is entrusted with the responsibility for monitoring and implementing the procedural requirements in the information disclosure policy. Release of inside information shall be led by the Board. Unless duly authorized, all staff members of the Company shall not disseminate inside information relating to the Group to any external parties and shall not respond to media report or market speculation which may materially affect the trading price or volume of the Shares.

Whistle-Blowing and Anti-Corruption Policies and Systems

The Group has set up management systems, including the 3SBio Group Anti-Corruption and Anti-Bribery Policy, which sets out clear anti-corruption, anti-bribery and anti-money laundering requirements and regulates employee hospitality and charity practices. Under the system's guidance, the Group has established and strictly observed the compliance training system. The Risk Compliance Department makes yearly plans for compliance training targeting the entire workforce. The Directors, full-time and part-time employees and contractors are all required to take regular anti-corruption and business ethics training.

The Group has put in place a whistle-blowing system. The Group's Risk Compliance Department has set up multiple reporting channels via e-mails and telephones, inviting real-name or anonymous tip-offs about existing or suspected irregularities from employees, third-party representatives and business partners.

Please further refer to the Section 2.1 "Compliance & Ethics" and Section 8 "Performance Data" in the ESG Report.

AUDITOR'S REMUNERATION

Ernst & Young was appointed as the Auditor for the annual audit of the Group and other audit services for the Reporting Period.

The remuneration for the audit services and review services (including the review of the Company's interim results announcement and interim report for the six months ended 30 June 2022) provided by Ernst & Young to the Group for the Reporting Period was as follows:

Type of Services	Amount (RMB'000)
Audit services	6,069
Review services	2,099
Total	8,168

COMPANY SECRETARY

The company secretary of the Company is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the HKEx Listing Rules and applicable Hong Kong laws, the Company engages Ms. LAI Siu Kuen (**"Ms. LAI"**), a director of Corporate Services of Tricor Services Limited ("**Tricor Services**"), as the company secretary of the Company. Tricor Services is a company secretarial service provider that provides general corporate and secretarial support services.

Prior to the engagement of Ms. LAI effective from 10 February 2022, Mr. LEE Kwok Fai Kenneth ("**Mr. LEE**") served as the company secretary of the Company. Mr. LEE was a delegate of TMF Hong Kong Limited, a company secretarial service provider.

The primary corporate contact person at the Company is Ms. SU Dongmei, an executive Director of the Company.

For the Reporting Period, Ms. LAI has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the HKEx Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with the shareholders of the Company is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable shareholders of the Company and investors to make the informed investment decisions.

The AGM of the Company provides opportunity for the shareholders to communicate directly with the Directors. The chairman of the Board and the chairmen/chairlady of the Board Committees will attend the AGM to answer shareholders' questions. The Auditor will also attend the AGM to answer questions about the conduct of the audit, the preparation and content of the Auditor's report, the accounting policies and auditor's independence.

The Group's proactive approach to investor relations continued to widen the coverage of the Company by global funds in and outside Hong Kong and Mainland China in 2022. A number of local and international sell-side firms and brokers publish research reports on the Company, often on a regular basis, and the Company attracts attention of a wide range of institutional investors.

The Group's management and investor relations function take great efforts to maintain an open dialogue with the investment community to ensure a thorough understanding of the Company's business development, core strategies and corporate governance principles. In 2022, the Group participated in investor conferences, roadshows, healthcare summits on virtual basis and in-person. Nearly 300 meetings were held with institutional investors and research analysts in Hong Kong and internationally.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and the shareholders of the Company and maintaining such relationship and communication on the websites of the HKEX at www.hkexnews.hk and of the Company at www.3sbio.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information is available for public access. Shareholders can also communicate with the Company by mailing to the Company's principal place of business in Hong Kong at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong and to the Company's investor relations department at email address ir@3sbio.com.

The Group's MSCI ESG rating was raised to "AA" in 2022, higher than 88% of the rated global industry peers. The rating can help shareholders and investors to evaluate and understand the Company's efforts and commitment to environmental, social, and governance goodness.

During the Reporting Period, the Company reviewed the implementation and effectiveness of the shareholders communication policy, including the multiple communication channels for shareholders (AGM, investor meetings, Company website, investor relations mail and email channels, and ESG work) and the steps taken to handle shareholders' enquiries. As assessed and discussed under this section, the Company considered that the shareholders communication policy has been properly implemented and effective.

DIVIDEND POLICY

The Board shall consider various factors before declaring or recommending dividends, including the Company's actual and expected financial performance; retained earnings and distributable reserves of the Company and each of the members of the Group; the Group's working capital requirements, capital expenditure requirements and future expansion plans; the Group's liquidity position; general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and other factors that the Board deems relevant.

The payment of dividend is also subject to compliance with applicable laws and regulations including the laws of Cayman Islands and the Company's Memorandum and Articles of Association ("**MoA and AoA**").

As a holding company, the Company is dependent upon the receipt of cash distributions from its PRC subsidiaries to fund any dividend payments. The ability of these subsidiaries to make dividend and other payments to the Company is restricted by their constitutional documents and to the laws of and regulations of the PRC.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted by poll pursuant to the HKEx Listing Rules and poll results will be posted on the websites of the Company and the HKEx in a timely manner after each general meeting.

Convening of extraordinary general meeting and putting forward proposals

Shareholders of the Company do not generally have a right to propose new resolutions at general meetings. Shareholders of the Company who wish to propose a resolution may request the Company to convene an extraordinary general meeting following the procedures as set out below.

Any one or more members holding as at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting of the Company to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Enquiries to the Board

The Company follows its shareholders' communication policy to provide the Company's shareholders with information about the Company to enable them to engage actively with the Company and exercise their rights as shareholders in an informed manner.

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the Company's principal place of business in Hong Kong at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong (email address: ir@3sbio.com).

CHANGE IN CONSTITUTIONAL DOCUMENTS

The HKEx announced various amendments to the HKEx Listing Rules to implement the proposals under the "Consultation Conclusion Paper on Listing Regime for Overseas Issuers" published on 19 November 2021. The amendments to the HKEx Listing Rules have already taken effect from 1 January 2022 and include the introduction of the Core Shareholder Protection Standards that apply to all listed issuers to provide the same level of protection to all investors.

The Board proposed to make certain amendments to the Memorandum and Articles of Association of the Company to reflect the Core Shareholder Protection Standards introduced by the HKEx, to provide flexibility to the Company in relation to the conduct of general meetings and to incorporate certain housekeeping changes. Pursuant to the foregoing, the Board proposed that the Company adopt the Second Amended and Restated MoA and AoA of the Company embodying the proposed amendments in substitution for, and to the exclusion of, the previous amended and restated MoA and AoA of the Company.

At the AGM of the Company held on 22 June 2022, the shareholders of the Company approved the adoption of the Second Amended and Restated MoA and AoA of the Company by passing a special resolution.

For further information, please refer to the circular of the Company dated 20 May 2022, under (1) the heading "Proposed Amendments to the Memorandum and Articles of Association and the Adoption of the Second Amended and Restated Memorandum and Articles of Association"; and (2) APPENDIX III — COMPARATIVE TABLE OF THE AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION.

Independent Auditor's Report

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To the shareholders of 3SBio Inc.
(Incorporated in the Cayman Islands as an exempted company with limited liability)

Opinion

We have audited the consolidated financial statements of 3SBio Inc. (the "**Company**") and its subsidiaries (the **"Group**") set out on pages 89 to 216, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") 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 International Standards on Auditing ("**ISAs**") issued by the International Auditing and Assurance Standards Board ("**IAASB**"). 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 Hong Kong Institute of Certified Public Accountants' *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.

安永

To the shareholders of 3SBio Inc.
(Incorporated in the Cayman Islands as an exempted company with limited liability)

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.

EY 安永

To the shareholders of 3SBio Inc.

(Incorporated in the Cayman Islands as an exempted company with limited liability)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of other intangible assets with indefinite lives	
As at 31 December 2022, other intangible assets with indefinite lives amounted to RMB149,245,000. In accordance with IAS 36 *Impairment of Assets*, intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. The impairment reviews performed by the Group contained a number of significant judgements and estimates including growth rates, royalty rates and discount rates. Changes in these assumptions might lead to a change in the carrying value of intangible assets. The Group's disclosures on other intangible assets with indefinite lives are included in note 17 to the financial statements.	Our audit procedures included, among others, a review of the models and the assumptions applied by management in assessing the forecasted revenue growth and profit margins. We evaluated management's sensitivity analyses to assess the impact of reasonably possible changes to key assumptions on the available headroom. We also reviewed the Group's disclosures of the assumptions applied in assessing the impairment of those intangible assets. We involved the internal valuation experts to assess the key assumptions in valuation models including growth rates, royalty rates and discount rates.

To the shareholders of 3SBio Inc.
(Incorporated in the Cayman Islands as an exempted company with limited liability)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill	
As at 31 December 2022, the carrying amount of goodwill was RMB4,140,061,000. In accordance with IAS 36 *Impairment of Assets*, the Group is required to test goodwill for impairment annually. Management performs the impairment assessment using a value in use calculation based on the discounted cash flow method. This assessment is complex and judgemental and is based on assumptions, such as forecasted revenue growth rates, gross margins and discount rates, which are affected by the expected future market or economic conditions, particularly in Mainland China. The Group's disclosures on goodwill are included in note 16 to the financial statements.	Our audit procedures included, among others, a review of the assumptions with actual results of prior periods applied by management in assessing the forecasted revenue growth rates, gross margins and discount rates. We evaluated management's identification of cash-generating units ("**CGU**") and the impairment model used by the Group. We also reviewed the Group's disclosures of those assumptions to which the outcome of the impairment test was most sensitive and which had the most significant effect on the determination of the recoverable amount of goodwill. We involved our internal valuation experts in benchmarking the key assumptions in valuation models including expected perpetual rates and discount rates.

To the shareholders of 3SBio Inc.
(Incorporated in the Cayman Islands as an exempted company 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 IFRSs issued by the IASB 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.

To the shareholders of 3SBio Inc.
(Incorporated in the Cayman Islands as an exempted company with limited liability)

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 ISAs 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.

As part of an audit in accordance with ISAs, 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.

EY 安永

To the shareholders of 3SBio Inc.
(Incorporated in the Cayman Islands as an exempted company with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- 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.

To the shareholders of 3SBio Inc.

(Incorporated in the Cayman Islands as an exempted company with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Denis Ming Kui Cheng.

Ernst & Young

Certified Public Accountants

Hong Kong

21 March 2023

Consolidated Statement of Profit or Loss

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	**6,859,433**	6,382,009
Cost of sales	6	**(1,187,529)**	(1,106,286)
Gross profit		**5,671,904**	5,275,723
Other income and gains	5	**750,401**	330,069
Selling and distribution expenses		**(2,579,787)**	(2,324,017)
Administrative expenses		**(384,728)**	(371,488)
Research and development costs		**(693,172)**	(753,872)
Other expenses	6	**(355,885)**	(184,023)
Finance costs	7	**(101,053)**	(66,525)
Share of profits and losses of:			
A joint venture	18	**(2,555)**	(3,178)
Associates	19	**(31,092)**	(33,923)
PROFIT BEFORE TAX		**2,274,033**	1,868,766
Income tax expense	11	**(366,016)**	(241,193)
PROFIT FOR THE YEAR		**1,908,017**	1,627,573
Attributable to:			
Owners of the parent		**1,914,885**	1,651,247
Non-controlling interests		**(6,868)**	(23,674)
		1,908,017	1,627,573
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic	13	**RMB0.78**	RMB0.65
— Diluted	13	**RMB0.74**	RMB0.62

Consolidated Statement of Comprehensive Income

Year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
PROFIT FOR THE YEAR	**1,908,017**	1,627,573
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**71,773**	(38,047)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**71,773**	(38,047)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(139,005)**	72,333
Income tax effect	**5,125**	7,246
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	**(133,880)**	79,579
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(62,107)**	41,532
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,845,910**	1,669,105
Attributable to:		
Owners of the parent	**1,852,778**	1,692,779
Non-controlling interests	**(6,868)**	(23,674)
	1,845,910	1,669,105

Consolidated Statement of Financial Position

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**4,086,097**	3,440,218
Right-of-use assets	15(a)	**380,214**	388,035
Goodwill	16	**4,140,061**	3,843,883
Other intangible assets	17	**1,578,312**	1,849,164
Investments in joint ventures	18	**1,212**	3,767
Investments in associates	19	**622,637**	696,823
Equity investments designated at fair value through other comprehensive income	20	**554,974**	620,677
Prepayments, other receivables and other assets	24	**353,810**	298,835
Non-pledged time deposits	26	**201,183**	—
Deferred tax assets	21	**309,279**	280,475
Total non-current assets		**12,227,779**	11,421,877
CURRENT ASSETS			
Inventories	22	**712,164**	690,523
Trade and notes receivables	23	**1,310,064**	1,378,757
Prepayments, other receivables and other assets	24	**518,965**	768,726
Financial assets at fair value through profit or loss	25	**4,861,054**	1,900,023
Pledged deposits	26	**208,392**	184,592
Cash and cash equivalents	26	**2,150,286**	2,868,077
Total current assets		**9,760,925**	7,790,698
CURRENT LIABILITIES			
Trade and bills payables	27	**249,495**	230,407
Other payables and accruals	28	**1,028,506**	921,214
Deferred income	29	**28,549**	33,905
Interest-bearing bank and other borrowings	30	**363,259**	150,189
Lease liabilities	15(b)	**12,234**	10,564
Tax payable		**111,888**	73,710
Total current liabilities		**1,793,931**	1,419,989
NET CURRENT ASSETS		**7,966,994**	6,370,709
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,194,773**	17,792,586

Consolidated Statement of Financial Position

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	30	**1,901,748**	164,148
Lease liabilities	15(b)	**27,587**	32,380
Convertible bonds	31	**2,163,735**	2,271,598
Deferred income	29	**416,914**	396,627
Deferred tax liabilities	21	**279,865**	264,468
Other non-current liabilities		**4,474**	5,568
Total non-current liabilities		**4,794,323**	3,134,789
Net assets		**15,400,450**	14,657,797
EQUITY			
Equity attributable to owners of the parent			
Share capital	33	**149**	155
Treasury shares	33	**(235,641)**	—
Share premium	33	**3,693,433**	4,152,181
Other reserves		**9,504,733**	8,075,114
		12,962,674	12,227,450
Non-controlling interests		**2,437,776**	2,430,347
Total equity		**15,400,450**	14,657,797

Jing Lou
Director

Dongmei Su
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2022

	Attributable to owners of the parent											
	Share capital RMB'000 (note 33)	Treasury shares RMB'000 (note 33)	Share premium RMB'000 (note 33)	Contributed surplus* RMB'000 (note 34)	Equity component of convertible bonds* RMB'000 (note 31)	Statutory surplus reserves* RMB'000 (note 35)	Retained profits* RMB'000	Fair value reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	155	–	4,297,946	347,076	110,744	723,523	4,981,375	197,089	31,406	10,689,314	2,404,021	13,093,335
Profit for the year	–	–	–	–	–	–	1,651,247	–	–	1,651,247	(23,674)	1,627,573
Other comprehensive income for the year:												
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	–	79,579	–	79,579	–	79,579
Exchange differences related to foreign operations	–	–	–	–	–	–	–	–	(38,047)	(38,047)	–	(38,047)
Total comprehensive income for the year	–	–	–	–	–	–	1,651,247	79,579	(38,047)	1,692,779	(23,674)	1,669,105
Transfer to statutory reserves	–	–	–	–	–	167,249	(167,249)	–	–	–	–	–
Shares repurchased	–	(189,043)	–	–	–	–	–	–	–	(189,043)	–	(189,043)
Shares cancelled	(1)	189,043	(189,042)	–	–	–	–	–	–	–	–	–
Equity-settled share option arrangements (Note 34)	–	–	–	30,267	–	–	–	–	–	30,267	–	30,267
Shares issued upon exercise of share options (Note 34)	1	–	43,277	(39,145)	–	–	–	–	–	4,133	–	4,133
Transfer to retained profits	–	–	–	–	–	–	178,290	(178,290)	–	–	–	–
Capital injection from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	50,000	50,000
At 31 December 2021	155	–	4,152,181	338,198	110,744	890,772	6,643,663	98,378	(6,641)	12,227,450	2,430,347	14,657,797

Consolidated Statement of Changes in Equity

Year ended 31 December 2022

	Attributable to owners of the parent											
	Share capital RMB'000 (note 33)	Treasury shares RMB'000 (note 33)	Share premium RMB'000 (note 33)	Contributed surplus* RMB'000 (note 34)	Equity component of convertible bonds* RMB'000 (note 31)	Statutory surplus reserves* RMB'000 (note 35)	Retained profits* RMB'000	Fair value reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022	155	–	4,152,181	338,198	110,744	890,772	6,643,663	98,378	(6,641)	12,227,450	2,430,347	14,657,797
Profit for the year	–	–	–	–	–	–	1,914,885	–	–	1,914,885	(6,868)	1,908,017
Other comprehensive income for the year:												
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	–	(133,880)	–	(133,880)	–	(133,880)
Exchange differences related to foreign operations	–	–	–	–	–	–	–	–	71,773	71,773	–	71,773
Total comprehensive income for the year	–	–	–	–	–	–	1,914,885	(133,880)	71,773	1,852,778	(6,868)	1,845,910
Transfer to statutory reserves	–	–	–	–	–	251,397	(251,397)	–	–	–	–	–
Shares repurchased	–	(711,321)	–	–	–	–	–	–	–	(711,321)	–	(711,321)
Shares cancelled	(6)	475,680	(475,674)	–	–	–	–	–	–	–	–	–
Equity-settled share option arrangements (Note 34)	–	–	–	10,738	–	–	–	–	–	10,738	–	10,738
Shares issued upon exercise of share options (Note 34)	–	–	16,926	(16,757)	–	–	–	–	–	169	–	169
Capital injection from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	14,297	14,297
Final 2021 dividend	–	–	–	–	–	–	(417,140)	–	–	(417,140)	–	(417,140)
At 31 December 2022	149	(235,641)	3,693,433	332,179	110,744	1,142,169	7,890,011	(35,502)	65,132	12,962,674	2,437,776	15,400,450

* These reserve accounts comprise the consolidated other reserves of approximately RMB9,504,733,000 (2021: RMB8,075,114,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2,274,033**	1,868,766
Adjustments for:			
Finance costs	7	**101,053**	66,525
Gain on repurchase of convertible bonds	5	**(1,284)**	—
Gain on deemed disposal of an associate	5	**(3,485)**	(16,597)
Gain on termination of a lease		**(730)**	—
Fair value gains on financial assets at fair value through profit or loss	5	**(237,983)**	(24,205)
Share of profits and losses of a joint venture and associates	18, 19	**33,647**	37,101
Interest income	5	**(150,655)**	(74,448)
Foreign exchange differences	5	**(274,639)**	(135,009)
Charge of share-based compensation costs	34	**10,738**	30,267
Depreciation of property, plant and equipment	6	**183,405**	183,029
Amortisation of other intangible assets	6	**162,319**	123,352
Depreciation of right-of-use assets	6	**20,382**	22,621
Amortisation of long-term deferred expenses	6	**12,446**	9,322
Amortisation of other non-current assets		**15,939**	—
Recognition of deferred income	29	**(37,644)**	(36,770)
Provision for impairment of trade receivables	6	**7,626**	5,366
Provision for impairment of prepayments, other receivables and other assets	6	**62,417**	104,952
Reversal of provision for impairment of long-term receivables	6	**—**	(2,800)
Provision for impairment of other intangible assets	6	**186,019**	—
Provision for impairment of investment in an associate	6	**60,039**	30,114
Provision/(reversal of provision) for impairment of inventories	22	**28,691**	(3,868)
Dividend income		**—**	(4,011)
Loss on disposal of items of property, plant and equipment	6	**4,269**	13,892
		2,456,603	2,197,599
Increase in inventories		**(50,332)**	(67,147)
Increase in pledged deposits		**(29,175)**	(51,444)
Decrease/(increase) in trade and notes receivables		**61,067**	(401,158)
Increase in prepayments, other receivables and other assets		**(41,282)**	(7,746)
Increase in trade and bills payables		**19,088**	27,121
Increase in other payables and accruals		**110,679**	167,942
Cash generated from operations		**2,526,648**	1,865,167
Income tax paid		**(346,370)**	(286,822)
Net cash flows from operating activities		**2,180,278**	1,578,345

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**138,460**	88,579
Purchase of items of property, plant and equipment		**(909,565)**	(1,029,120)
Purchase of financial assets at fair value through profit or loss		**(16,501,947)**	(8,643,886)
Purchase of non-pledged time deposits		**(200,000)**	—
Purchase of equity investments designated at fair value through other comprehensive income		**(47,394)**	(76,139)
Proceeds from disposal of financial assets at fair value through profit or loss		**13,778,899**	8,016,723
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		**5,948**	408,606
Loans repayment from third parties		**21,791**	—
Loans repayment from related parties		**—**	5,000
Loans to third parties		**—**	(48,595)
Additions of other intangible assets		**(64,169)**	(79,859)
Additions of right-of-use assets		**—**	(36,794)
Proceeds from disposal of property, plant and equipment		**384**	1,575
Funds received from government grants		**55,608**	107,394
Net cash flows used in investing activities		**(3,721,985)**	(1,286,516)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**169**	4,133
Repurchase of convertible bonds	31	**(227,873)**	—
Received capital injections from non-controlling shareholders		**14,297**	50,000
Decrease/(increase) in pledged deposits		**5,375**	(7,325)
Repayments of bank borrowings		**(203,711)**	(363,953)
Acquisition of treasury shares	33	**(475,680)**	(189,043)
Prepayments for shares repurchase		**—**	(223,854)
Proceeds from bank borrowings		**2,081,764**	270,156
Principal portion of lease payments		**(16,726)**	(14,971)
Dividend paid		**(417,140)**	—
Interest paid		**(45,563)**	(6,262)
Net cash flows from/(used in) financing activities		**714,912**	(481,119)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(826,795)**	(189,290)
Cash and cash equivalents at beginning of the year		**2,868,077**	3,090,835
Effect of foreign exchange rate changes on cash, net		**109,004**	(33,468)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**2,150,286**	2,868,077
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**2,149,460**	2,803,262
Restricted cash	26	**826**	64,815
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**2,150,286**	2,868,077

1. Corporate and group information

3SBio Inc. (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Islands Companies Laws on 9 August 2006. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 11 June 2015.

The Company is an investment holding company. During the year, the subsidiaries of the Company were principally engaged in the development, production, marketing and sale of biopharmaceutical products in the People's Republic of China (the "**PRC**") except for Taiwan, Hong Kong and Macau ("**Mainland China**").

Information about subsidiaries

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

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Collected Mind Limited ("**Collected Mind**") (集思有限公司)	British Virgin Islands 3 May 2006	United States Dollar ("**USD**") 1	100%	–	Investment holding
Hongkong Sansheng Medical Limited ("**Hongkong Sansheng**") (香港三生醫藥有限公司)	Hong Kong 3 November 2009	Hong Kong Dollar ("**HKD**") 2	–	100%	Trading and investment holding
Shenyang Sunshine Pharmaceutical Co., Ltd. ("**Shenyang Sunshine**") (瀋陽三生製藥有限責任公司)	PRC/Mainland China**** 3 January 1993	Renminbi ("**RMB**") 2,700,000,000	–	100%	Manufacture and sale of biopharmaceutical drugs and development
Liaoning Sunshine Bio-Pharmaceutical Company Ltd. ("**Liaoning Sunshine**") (遼寧三生醫藥有限公司)	PRC/Mainland China** 1 February 2000	RMB15,000,000	–	100%	Distribution and sale of pharmaceutical drugs

1. Corporate and group information (continued)

Information about subsidiaries (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Taizhou Huan Sheng Consulting Management Company Ltd. (泰州環晟諮詢管理有限公司)	PRC/Mainland China** 29 December 2010	RMB1,000,000	–	100%	Project management and consultation
Taizhou Huan Sheng Healthcare Industry Investment Centre LLP (“**Taizhou Centre**”) (泰州環晟健康產業投資中心（有限合夥）)	PRC/Mainland China** 30 May 2011	RMB250,000,000	–	80%	Investment holding
Excel Partner Holdings Limited (“**Excel Partner**”) (特隆控股有限公司)	Hong Kong 8 July 2010	HKD1	–	100%	Investment holding
Sirton Pharmaceuticals S.p.A. (“**Sirton**”)	Italy 22 November 2010	Euro (“**EUR**”) 300,000	–	100%	Manufacture and sale of pharmaceutical drugs and research and development
Ample Harvest Investments Limited (“**Ample Harvest**”) (溢豐投資有限公司)	British Virgin Islands 2 January 2003	USD10	–	100%	Investment holding
Shenzhen Baishitong Technology Development Company Limited (“**Shenzhen Baishitong**”) (深圳市百士通科技開發有限公司)	PRC/Mainland China** 8 March 2002	RMB500,000	–	100%	Investment holding

1. Corporate and group information (continued)

Information about subsidiaries (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shenzhen Sciprogen Bio-pharmaceutical Co., Ltd. ("**Sciprogen**") (深圳賽保爾生物藥業有限公司)	PRC/Mainland China*** 22 March 1999	RMB160,000,000	–	100%	Manufacture and sale of pharmaceutical drugs and research and development
Shanghai Anran Bio-technology Co., Ltd. ("**Shanghai Anran**") (上海安冉生物科技有限公司)	PRC/Mainland China** 21 December 2016	RMB10,000,000	–	100%	Research and development of bio-technology and drugs and sale of chemical products
Zhejiang Wansheng Pharmaceutical Co., Ltd. ("**Zhejiang Wansheng**") (浙江萬晟藥業有限公司)	PRC/Mainland China** 27 October 1997	RMB56,500,000	–	100%	Manufacture and sale of pharmaceutical drugs and research and development
Gains Prestige Limited ("**Gains Prestige**") (澤威有限公司)	British Virgin Islands 2 September 2014	HKD8	100%	–	Investment holding
Full Gain Limited ("**Full Gain**") (富健藥業有限公司)	Hong Kong 6 October 2014	HKD1	–	100%	Investment holding

1. Corporate and group information (continued)

Information about subsidiaries (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai Xingsheng Pharmaceutical Company Limited ("**Xing Sheng**") (上海興生藥業有限公司)	PRC/Mainland China** 23 December 1998	RMB410,000,000	–	96.25%	Investment holding
Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. ("**Sunshine Guojian**") (三生國健藥業(上海)股份有限公司)	PRC/Mainland China* 25 January 2002	RMB616,785,793	–	80.89%	Manufacture and sale of biopharmaceutical drugs and research and development
National Engineering Research Center of Antibody Medicine ("**NERC**") (上海抗體藥物國家工程研究中心有限公司)	PRC/Mainland China** 15 January 2009	RMB260,000,000	–	49.78%	Manufacture and sale of biopharmaceutical drugs and research and development
Cn-Gen Mab Co., Ltd. ("**Cn-Gen Mab**") (中健抗體有限公司)	Hong Kong 19 September 2012	HKD1,000,000	–	80.89%	Distribution and sale of pharmaceutical drugs

1. Corporate and group information (continued)

Information about subsidiaries (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Sunshine Guojian Pharmaceutical (Suzhou) Co., Ltd. (三生國健藥業(蘇州)有限公司)	PRC/Mainland China** 25 November 2013	RMB940,000,000	–	80.89%	Manufacture and sale of biopharmaceutical drugs and research and development
Shanghai Shengguo Pharmaceutical Development Co., Ltd. (上海晟國醫藥發展有限公司)	PRC/Mainland China** 29 January 2014	RMB224,428,188	–	80.89%	Technology services
Shanghai Hongshang Investment Co., Ltd. ("**Shanghai Hongshang**") (上海翃熵投資諮詢有限公司)	PRC/Mainland China** 5 November 2015	RMB1,034,100,000	–	100%	Investment holding
Guangdong Sunshine Pharmaceutical Co., Ltd. ("**Guangdong Sunshine**") (廣東三生製藥有限公司)	PRC/Mainland China*** 7 December 2016	RMB110,000,000	–	100%	Manufacture and sale of biopharmaceutical drugs and research and development
Strategic International Group Limited ("**Strategic International**")	British Virgin Islands 14 June 2017	EUR50,000	100%	–	Investment holding
Grand Path Holdings Limited ("**Grand Path Holdings**")	Hong Kong 13 May 2010	HKD16,000,000	100%	–	Investment holding

1. Corporate and group information (continued)

Information about subsidiaries (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Northern Medicine Valley Desen (Shenyang) Biologics Co., Ltd. ("**Desen Biologics**") (北方藥谷德生(瀋陽)生物科技有限責任公司)	PRC/Mainland China** 26 February 2018	RMB3,830,000,000	–	90.34%	Manufacture and sale of biopharmaceutical drugs and research and development
Shenyang Jiasheng Agriculture Technology Co., Ltd. (瀋陽嘉生農業科技有限責任公司)	PRC/Mainland China** 18 November 2020	RMB500,000	–	100%	Agricultural services
Hangzhou Mansheng HuaFa Pharmacy Co., Ltd. (杭州蔓生華發大藥房有限公司)	PRC/Mainland China** 11 March 2021	RMB1,000,000	–	100%	Distribution and sale of pharmaceutical drugs
Jingsheng Pharmaceutical Technology (Shanghai) Co., Ltd. (競生醫藥技術(上海)有限公司)	PRC/Mainland China**** 25 February 2021	USD2,000,000	–	100%	Technology services
Xinyisheng (Hainan) Commercial Factoring Co., Ltd. (信益生(海南)商業保理有限公司)	PRC/Mainland China** 22 November 2022	RMB30,000,000	–	60%	Financial service
Shenyang Liaolan sports co., Ltd. (瀋陽遼籃體育有限公司)	PRC/Mainland China** 5 September 2022	RMB2,000,000	–	100%	Sports services

1. Corporate and group information (continued)

Information about subsidiaries (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Liaoning Sansheng Private Equity Fund Management Co., Ltd. (遼寧三生私募基金管理有限公司)	PRC/Mainland China** 24 January 2022	RMB5,000,000	–	100%	Investment holding
Shanghai Pudong Tianyu Investment Development Center (LP) (上海浦東田羽投資發展中心（有限合夥）)	PRC/Mainland China** 20 November 2014	RMB425,458,610	–	100%	Investment advisory services
3SBio LLC	United States 20 February 2009	USD5,366,867	100%	–	Investment holding
3SBIO USA INC.	United States 8 December 2021	–	–	100%	Investment holding

* This subsidiary was registered as joint-stock limited company under PRC law.

** These subsidiaries were registered as limited liability companies under PRC law.

*** These subsidiaries were registered as foreign-owned enterprises under PRC law.

**** These subsidiaries were registered as a wholly-foreign owned enterprise under PRC law.

The English names of these companies registered in the PRC represent the best effort made by the management of the Company to directly translate their Chinese names as these companies do not register any official English names.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Company and its subsidiaries (together, the "**Group**"). To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**"), 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 equity investments and certain financial assets which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

2.1 Basis of preparation (continued)

Basis of consolidation (continued)

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

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "**Conceptual Framework**") issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 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 IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

2.2 Changes in Accounting Policies and Disclosures (continued)

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRS Standards 2018–2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendment that is applicable to the Group are as follows:

- IFRS *9 Financial Instruments:* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 Issued but not yet effective international financial reporting standards

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

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1, 5]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 — Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")[2, 4]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024.

5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

2.3 Issued but not yet effective international financial reporting standards (continued)

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

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 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. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

2.3 Issued but not yet effective international financial reporting standards (continued)

Amendments to IAS 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 IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 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 IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to IAS 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 IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 Summary of significant accounting policies

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 Summary of significant accounting policies (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 Summary of significant accounting policies (continued)

Business combinations and goodwill (continued)

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.

Fair value measurement

The Group measures its equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2.4 Summary of significant accounting policies (continued)

Fair value measurement (continued)

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, contact assets, deferred tax assets, financial assets and investment properties), 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, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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

2.4 Summary of significant accounting policies (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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 IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". 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.

2.4 Summary of significant accounting policies (continued)

Property, plant and equipment and depreciation (continued)

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 used for this purpose are as follows:

Buildings	10 to 45 years
Plant and machinery	5 to 12 years
Furniture and fixtures	3 to 12 years
Motor vehicles	4 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.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 Summary of significant accounting policies (continued)

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.

Intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The principal estimated useful lives of intangible assets are as follows:

Exclusive distribution right	5 to 25 years
Intellectual Property ("**IP**") rights	14 to 25 years
Patents and technology know-how	5 to 20 years
Others	1 to 10 years
In Progress Research and Development ("**IPR&D**")	Indefinite useful life

Research and development costs

All research costs are charged to the consolidated 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.

2.4 Summary of significant accounting policies (continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. 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:

Leasehold land	30 to 50 years
Buildings	1 to 4 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.

2.4 Summary of significant accounting policies (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities (continued)

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 certain buildings (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 staff dormitory 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.

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 assets to the lessee are accounted for as finance leases.

2.4 Summary of significant accounting policies (continued)

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 IFRS 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 IAS 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.

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

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 other unlisted investments. Dividends on equity investments classified as financial assets at fair value 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.

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.

2.4 Summary of significant accounting policies (continued)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

2.4 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

General approach (continued)

The Group considers a financial asset in default when contractual payments are 90 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.

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, financial assets included in prepayments, other receivables and other assets and long-term receivables 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 receivables and certain financial assets included in prepayments, other receivables and other assets and long-term 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.

2.4 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

Simplified approach (continued)

For trade receivables and certain financial assets included in prepayments, other receivables and other assets and long-term receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings and lease liabilities.

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, 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)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

2.4 Summary of significant accounting policies (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash 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.

2.4 Summary of significant accounting policies (continued)

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.

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 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.

2.4 Summary of significant accounting policies (continued)

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.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

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.

2.4 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

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 IFRS 15.

(a) Sale of biopharmaceutical products

Revenue from the sale of biopharmaceutical products is recognised at the point in time when control of the asset is transferred to the customer, generally upon receipt of the biopharmaceutical products by customers.

Some contracts for the sale of biopharmaceutical products provide customers with rights of return and trade discounts. The rights of return and trade discounts give rise to variable consideration.

(i) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

2.4 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) Sale of biopharmaceutical products (continued)

(ii) Trade discounts

Retrospective trade discounts may be provided to certain customers if they pay on a timely basis. Trade discounts are offset against amounts payable by the customer. To estimate the variable consideration for the expected future trade discounts, the most likely amount method is used for contracts with the expected value method for contracts. The selected method that best predicts the amount of variable consideration is primarily driven by the credit of customers. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

(b) Contracts for services

Revenue from the provision of technical services is recognised over time, using an input method to measure progress towards complete satisfaction of the service. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the services.

(c) Licensing revenue

The Group provides licences of its IP or commercialisation licences to customers and the revenue is recognised when the customers obtain rights to use the underlying IP or licences. Licensing revenue is recognised at a point of time upon the customer obtains control of IP.

The consideration for licences comprises a fixed element (the upfront payment) and variable elements (including development milestones and royalties).

The Group would not undertake activities which significantly affect the licences. Thus, the customers get a right to use the licences and the revenue is recognised at a point in time. Upfront payment is recognised as revenue when customers have ability to use the underlying IP or licences and the variable elements are included in the transaction price when the Group can conclude that it is highly probable that there will not be a significant reversal of revenue.

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 received, or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

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)

Right-of-return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned goods.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 34 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that 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.

2.4 Summary of significant accounting policies (continued)

Share-based payments (continued)

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 and/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.

Other employee benefits

Pension scheme

The Group's subsidiaries operating in Mainland China participate in a central defined contribution retirement benefit plan managed by the local municipal government in the locations in which they operate. Contributions are made based on a percentage of the companies' payroll costs and are charged to the statement of profit or loss as they become payable in accordance with the rules of the central defined contribution retirement benefit plan.

2.4 Summary of significant accounting policies (continued)

Other employee benefits (continued)

Defined benefit plan

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

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

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

- the date of the plan amendment or curtailment; and

- the date that the Group recognises restructuring-related costs

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

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

- net interest expense or income

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.

2.4 Summary of significant accounting policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

2.4 Summary of significant accounting policies (continued)

Foreign currencies (continued)

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 and associates are currencies other than the 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 exchange rates that approximate to those prevailing at the dates of the transactions.

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:

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- Determining the method to estimate variable consideration and assessing the constraint for the sale of biopharmaceutical products

  Certain contracts for the sale of biopharmaceutical products include a right of return and trade discounts that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

  The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of biopharmaceutical products with rights of return, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for the sale of biopharmaceutical products with trade discounts, the Group determined that using a combination of the most likely amount method and the expected value method is appropriate. The selected method that better predicts the amount of variable consideration related to trade discounts is primarily driven by the credit of customers contained in the contract.

  Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

3 Significant accounting judgements and estimates (continued)

Judgements (continued)

Tax provisions

Determining tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions, and tax provisions are set up accordingly. The tax treatment of such transactions is assessed periodically to take into account all the changes in the tax legislation and practices.

Determination of control over an entity

The Group considers that it has no control over an entity even through it has more than 50% of the voting rights. Based on the assessment following the basis of consolidation and accounting policies set out in notes 2.1 and 2.4, respectively, the Group has not consolidated an entity that it has no control. For the investment that the Group has significant influence, it is accounted for as an associate in accordance with IAS 28 *Investments in Associates and Joint Ventures*.

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.

Variable consideration for returns and trade discounts

The Group estimates variable consideration to be included in the transaction price for the sale of biopharmaceutical products with rights of return and trade discounts.

The Group has developed a statistical model for forecasting sales returns. The model used the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to the historical return pattern will impact the expected return percentages estimated by the Group.

3 Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2022 was approximately RMB4,140,061,000 (2021: RMB3,843,883,000). Further details are given in note 16 to the financial statements.

Provision for expected credit losses on trade receivables, prepayments, other receivables and other assets and long-term receivables

The Group uses a provision matrix to calculate ECLs for trade receivables, prepayments, other receivables and other assets and long-term receivables. The provision rates are based on ageing for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 23 to the financial statements.

3 Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the 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. Further details are contained in note 21 to the financial statements.

3 Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 43 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. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2022 was RMB419,815,000 (2021: RMB354,609,000). Further details are included in note 20 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 the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2022, the best estimate of the carrying amount of capitalised development costs was RMB149,245,000 (2021: RMB132,898,000).

Estimation of inventory provision

The Group recognises a provision for inventories when the cost of inventories exceeds the net realisable value. The assessment of inventory provision requires management estimates on the future selling price and future cost to be incurred on the inventories. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact on the carrying value of inventories and provision charge/write-back of provision. The Group also reviews the condition of the inventories of the Group and makes provision for obsolete inventory items identified that were no longer suitable for sale.

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. Details of share-based payments are contained in note 34 to the financial statements.

3 Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Useful lives, residual values and depreciation of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for the Group's 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. The Group will revise the depreciation charges where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expenses in the future periods.

Useful lives and residual values of other intangible assets

The Group's management determines the useful lives, residual values and related amortisation charges for its other intangible assets. This estimate is based on the historical experience of the actual useful lives of other intangible assets of similar nature and functions and may vary significantly as a result of technical innovations and keen competitions from competitors, resulting in higher amortisation charge and/or write-off or write-down of technically obsolete assets when useful lives are less than previously estimated. The Group will increase the amortisation charges where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

4. Operating segment information

The Group has only one operating segment, which is the development, production, marketing and sale of biopharmaceutical products.

Geographical information

(a) Revenue from external customers

	2022 RMB'000	2021 RMB'000
Mainland China	6,650,681	6,240,921
Others	208,752	141,088
	6,859,433	6,382,009

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2022 RMB'000	2021 RMB'000
Mainland China	8,981,674	8,496,632
Others	2,180,669	2,024,093
	11,162,343	10,520,725

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

The Group's customer base is diversified and no revenue from transactions with a significant customer accounted for 10% or more of the Group's total revenue during the year.

5. Revenue, other income and gains

An analysis of revenue is as follows:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers		
Sale of biopharmaceuticals	**6,693,558**	6,271,104
Contract development and manufacturing operation business	**165,875**	110,905
	6,859,433	6,382,009

Revenue from contracts with customers

(a) Disaggregated revenue information

	2022 RMB'000	2021 RMB'000
Types of goods or services		
Sale of biopharmaceuticals	**6,693,558**	6,271,104
Contract development and manufacturing operation business	**165,875**	110,905
Total revenue from contracts with customers	**6,859,433**	6,382,009
Geographical markets		
Mainland China	**6,650,681**	6,240,921
Others	**208,752**	141,088
Total revenue from contracts with customers	**6,859,433**	6,382,009
Timing of revenue recognition		
Goods transferred at a point in time	**6,693,558**	6,271,104
Services transferred at a point in time	**165,875**	110,905
Total revenue from contracts with customers	**6,859,433**	6,382,009

5. Revenue, other income and gains (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of biopharmaceuticals	**20,539**	33,733

(b) Performance obligations

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

Sale of biopharmaceuticals

The performance obligation is satisfied upon receipt of the biopharmaceutical products by customers and payment is generally due within 60 to 90 days from reception, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return and trade discounts which give rise to variable consideration subject to constraint.

5. Revenue, other income and gains (continued)

Revenue from contracts with customers (continued)

(b) Performance obligations (continued)

Contract development and manufacturing operation business

The performance obligation is satisfied upon receipt of the technical services by customers or over time as services are rendered and payment is generally due within 60 to 90 days from reception, except for new customers, where payment in advance is normally required.

	2022 RMB'000	2021 RMB'000
Other income		
Government grants related to		
— Assets (a)	30,156	27,718
— Income (b)	42,823	29,921
Interest income	150,655	74,448
Dividend income	—	4,011
Others	9,376	18,160
	233,010	154,258
Gains		
Gain on repurchase of convertible bonds	1,284	—
Gain on deemed disposal of associates	3,485	16,597
Foreign exchange differences, net	274,639	135,009
Fair value gains on financial assets at fair value through profit or loss	237,983	24,205
	517,391	175,811
	750,401	330,069

Notes:

(a) The Group has received certain government grants to purchase items of property, plant and equipment. The grants are initially recorded as deferred income and are amortised against the depreciation charge of the underlying property, plant and equipment in accordance with the assets' estimated useful lives (note 29).

(b) The government grants have been received for the Group's contribution to the development of the local pharmaceutical industry. There are no unfulfilled conditions or contingencies attaching to these grants.

6. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2022 RMB'000	2021 RMB'000
Cost of inventories sold		**1,055,047**	1,029,339
Cost of service provided		**132,482**	76,947
Depreciation of property, plant and equipment	14	**183,405**	183,029
Depreciation of right-of-use assets	15(a)	**20,382**	22,621
Amortisation of other intangible assets	17	**162,319**	123,352
Amortisation of long-term deferred expenses		**12,446**	9,322
Lease payments not included in the measurement of lease liabilities	15(c)	**4,351**	3,203
Auditor's remuneration		**8,168**	6,625
Employee benefit expenses (excluding directors' and chief executive's remuneration):			
Wages, salaries and staff welfare		**1,097,678**	1,014,218
Equity-settled compensation expenses		**10,738**	31,777
Pension scheme contributions*		**86,059**	77,933
Social welfare and other costs		**136,421**	112,344
		1,330,896	1,236,272
Other expenses and losses:			
Donation		**22,180**	23,790
Loss on disposal of items of property, plant and equipment		**4,269**	13,892
Reversal of provision for impairment of long-term receivables		**—**	(2,800)
Provision for impairment of trade receivables	23	**7,626**	5,366
Provision for impairment of prepayments, other receivables and other assets	24	**62,417**	104,952
Provision for impairment of other intangible assets	17	**186,019**	—
Provision for impairment of investment in an associate	19	**60,039**	30,114
Others		**13,335**	8,709
		355,885	184,023

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

7. Finance costs

An analysis of finance costs is as follows:

	2022 RMB'000	2021 RMB'000
Interest on bank loans	**44,632**	3,269
Interest on convertible bonds	**54,649**	60,416
Interest on lease liabilities	**1,772**	2,840
	101,053	66,525

8. Directors' and chief executive's remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 RMB'000	2021 RMB'000
Fees	**5,006**	4,525
Other emoluments:		
Salaries, allowances, bonuses and other benefits	**1,871**	2,148
Equity-settled compensation expenses	**—**	108
Pension scheme contributions	**479**	526
	2,350	2,782
	7,356	7,307

On 2 February 2017, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 34 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the prior year is included in the above directors' and chief executive's remuneration disclosures.

8. Directors' and chief executive's remuneration (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2022 RMB'000	2021 RMB'000
Ms. YANG, Hoi Ti Heidi	258	125
Mr. David Ross Parkinson (i)	—	124
Mr. PU Tianruo	258	249
Dr. Wong Lap Yan (ii)	14	249
Mr. NG, Joo Yeow Gerry (iii)	244	—
Dr. Zhang Dan (iv)	—	—
	774	747

(i) Mr. David Ross Parkinson resigned on 29 June 2021.

(ii) Dr. Wong Lap Yan resigned on 21 January 2022.

(iii) Mr. NG, Joo Yeow Gerry was appointed as an independent non-executive director on 21 January 2022.

(iv) Dr. Zhang Dan was appointed as an independent non-executive director on 30 December 2022.

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

8. Directors' and chief executive's remuneration (continued)

(b) Executive directors, non-executive directors and the chief executive

	Fees RMB'000	Salaries, allowances, bonuses and other benefits RMB'000	Equity-settled compensation expenses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2022					
Chief executive					
Dr. Jing Lou (i)	3,048	1,032	—	397	4,477
Executive director					
Ms. Dongmei Su	488	839	—	82	1,409
Non-executive directors					
Mr. Bin Huang	696	—	—	—	696
Mr. Tang Ke (ii)	—	—	—	—	—
	4,232	1,871	—	479	6,582

8. Directors' and chief executive's remuneration (continued)

(b) Executive directors, non-executive directors and the chief executive (continued)

	Fees RMB'000	Salaries, allowances, bonuses and other benefits RMB'000	Equity-settled compensation expenses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2021					
Chief executive					
Dr. Jing Lou (i)	2,931	932	54	451	4,368
Executive director					
Ms. Dongmei Su	151	1,216	54	75	1,496
Non-executive directors					
Mr. Bin Huang	696	—	—	—	696
Mr. Tang Ke (ii)	—	—	—	—	—
	3,778	2,148	108	526	6,560

(i) Dr. Jing Lou who acts as the chief executive and the president of the Company is also an executive director of the Company.

(ii) Mr. Tang Ke resigned on 30 December 2022.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. Five highest paid employees

The five highest paid employees during the year included the chief executive (2021: the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2021: four) highest paid employees who are neither directors nor chief executives of the Company are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances, bonuses and other benefits	**7,654**	9,983
Pension scheme contributions	**533**	591
Equity-settled compensation expenses	**—**	25
	8,187	10,599

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2022	2021
HKD1,500,001 to HKD2,000,000	**2**	—
HKD2,000,001 to HKD2,500,000	**—**	2
HKD2,500,001 to HKD3,000,000	**1**	—
HKD3,000,001 to HKD3,500,000	**—**	—
HKD3,500,001 to HKD4,000,000	**—**	—
HKD4,500,001 to HKD5,000,000	**1**	1
HKD5,000,001 to HKD5,500,000	**—**	1
	4	4

10. Pension schemes

The Company's subsidiaries registered in the PRC and Italy are required to participate in the retirement benefit schemes operated by the relevant local government authorities in Mainland China and Italy. The relevant local government authorities in Mainland China and Italy are responsible for the pension liabilities payable to retired employees. The Group was required to make contributions for those employees who are registered as permanent residents in Mainland China and Italy within the scope of the relevant PRC and Italy regulations at 16% and 30% (2021: 16% and 30%) of the employees' salaries for the year, respectively.

The Group's contributions to the retirement benefit schemes for the year ended 31 December 2022 amounted to approximately RMB86,538,000 (2021: RMB78,459,000).

11. Income tax

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the relevant rules and regulations of the Cayman Islands and the British Virgin Islands ("**BVI**"), the Company and the subsidiaries of the Group incorporated therein are not subject to any income tax in the Cayman Islands and the BVI.

No provision for Hong Kong profits tax has been made during the year as the Group had no assessable profits arising in Hong Kong.

Under the relevant PRC income tax law, except for Shenyang Sunshine, Sciprogen, Zhejiang Wansheng, NERC and Sunshine Guojian which enjoy certain preferential treatment available to the Group, the PRC subsidiaries of the Group are subject to income tax at a rate of 25% on their respective taxable income.

Shenyang Sunshine, Sciprogen, Zhejiang Wansheng, NERC and Sunshine Guojian are qualified as High and New Technology Enterprises and are entitled to a preferential income tax rate of 15%. In accordance with relevant Italian tax regulations, Sirton is subject to income tax at a rate of 27.9% (2021: 27.9%).

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement became effective on 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors.

11. Income tax (continued)

An analysis of the provision for tax in the financial statements is as follows:

	2022 RMB'000	2021 RMB'000
Current	**384,548**	302,914
Deferred	**(18,532)**	(61,721)
Total tax charge for the year	**366,016**	241,193

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for Mainland China to the tax expense at the effective tax rate is as follows:

	2022 RMB'000	2021 RMB'000
Profit before tax	**2,274,033**	1,868,766
At the PRC's statutory income tax rate of 25%	**568,508**	467,192
Preferential income tax rates applicable to subsidiaries	**(242,269)**	(199,306)
Additional deductible allowance for research and development expenses	**(71,226)**	(100,366)
Income not subject to tax	**(4,135)**	(6,338)
Effect of non-deductible expenses	**14,895**	21,325
Tax losses utilised from previous periods	**(12,152)**	(80)
Tax losses not recognised	**112,542**	60,367
Others	**(147)**	(1,601)
Tax charge at the Group's effective rate	**366,016**	241,193

The effective tax rate of the Group for the year ended 31 December 2022 was 16.1% (2021: 12.9%).

12. Dividends

	2022	2021
	RMB'000	RMB'000
Proposed 2021 final — HKD20 cents per ordinary share	**417,140**	—

A final dividend in respect of the year 2021 of HKD20 cents per share was proposed pursuant to a resolution passed by the Board on 28 March 2022 and was approved at the annual general meeting of the Company on 22 June 2022. The dividend had been paid to the shareholders of the Company within the reporting period.

A final dividend in respect of the year ended 31 December 2022 of HKD10 cents per share was proposed pursuant to a resolution passed by the Board on 21 March 2023 and subject to the approval of the shareholders at the 2023 annual general meeting. The proposed dividend is not reflected as dividend payable in the consolidated financial statements.

13. Earnings per share attributable to ordinary equity holders of the parent

The calculation of the basic earnings per share amount 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 2,444,078,746 (2021: 2,543,041,835) in issue during the year, as adjusted to reflect the issue of ordinary shares during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds. 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.

13. Earnings per share attributable to ordinary equity holders of the parent (continued)

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

	2022 RMB'000	2021 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	**1,914,885**	1,651,247
Interest on convertible bonds	**54,649**	60,416
Less: Gain on repurchase of convertible bonds	**(1,284)**	—
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds and gain on repurchase of convertible bond	**1,968,250**	1,711,663

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,444,078,746**	2,543,041,835
Effect of dilution — weighted average number of ordinary shares:		
Share options	**—**	156,136
Awarded shares	**12,635,448**	14,885,448
Convertible bonds	**191,494,580**	212,035,522
	2,648,208,774	2,770,118,941

14. Property, plant and equipment

2022

	Land and buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2021 and at 1 January 2022:						
Cost	989,583	1,390,312	281,051	13,820	2,000,911	4,675,677
Accumulated depreciation	(309,579)	(718,536)	(196,782)	(10,562)	–	(1,235,459)
Net carrying amount	680,004	671,776	84,269	3,258	2,000,911	3,440,218
At 1 January 2022, net of accumulated depreciation	680,004	671,776	84,269	3,258	2,000,911	3,440,218
Additions	28	30,692	24,937	2,813	771,238	829,708
Disposals	(7)	(3,099)	(1,181)	(366)	–	(4,653)
Depreciation provided during the year	(50,612)	(99,236)	(32,501)	(1,056)	–	(183,405)
Transfers	26,472	256,204	9,659	938	(293,273)	–
Exchange realignment	1,386	4,953	124	12	(2,246)	4,229
At 31 December 2022, net of accumulated depreciation	657,271	861,290	85,307	5,599	2,476,630	4,086,097
At 31 December 2022						
Cost	1,016,196	1,671,204	308,175	15,533	2,476,630	5,487,738
Accumulated depreciation	(358,925)	(809,914)	(222,868)	(9,934)	–	(1,401,641)
Net carrying amount	657,271	861,290	85,307	5,599	2,476,630	4,086,097

A freehold land with a carrying amount of approximately RMB2,595,000 as at 31 December 2022 (2021: RMB2,524,000) is situated in Italy.

The Group is in the process of applying for the title certificates of certain of its buildings with an aggregate book value of approximately RMB13,076,000 as at 31 December 2022 (2021: RMB17,764,000). The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The directors are also of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2022.

At 31 December 2022, certain of the Group's construction in progress, freehold land and buildings, which had aggregate carrying amounts of approximately RMB1,071,168,000 (2021: RMB578,823,000), RMB2,595,000 (2021: RMB2,524,000) and RMB91,668,000 (2021: RMB78,307,000), respectively, were pledged to secure general banking facilities granted to the Group (note 30).

14. Property, plant and equipment (continued)

2021

	Land and buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2020 and at 1 January 2021:						
Cost	952,608	1,306,354	243,350	14,688	1,181,630	3,698,630
Accumulated depreciation	(263,136)	(634,252)	(168,851)	(11,012)	—	(1,077,251)
Net carrying amount	689,472	672,102	74,499	3,676	1,181,630	2,621,379
At 1 January 2021, net of accumulated depreciation	689,472	672,102	74,499	3,676	1,181,630	2,621,379
Additions	13,471	53,199	32,763	668	930,521	1,030,622
Disposals	(1,687)	(13,109)	(571)	(100)	—	(15,467)
Depreciation provided during the year	(49,212)	(101,715)	(31,116)	(986)	—	(183,029)
Transfers	29,574	63,409	8,810	—	(101,793)	—
Exchange realignment	(1,614)	(2,110)	(116)	—	(9,447)	(13,287)
At 31 December 2021, net of accumulated depreciation	680,004	671,776	84,269	3,258	2,000,911	3,440,218
At 31 December 2021						
Cost	989,583	1,390,312	281,051	13,820	2,000,911	4,675,677
Accumulated depreciation	(309,579)	(718,536)	(196,782)	(10,562)	—	(1,235,459)
Net carrying amount	680,004	671,776	84,269	3,258	2,000,911	3,440,218

15. Leases

The Group as a lessee

The Group has lease contracts for certain land and buildings. Lump sum payments were made upfront to acquire the lease land from the owners with lease periods of 30 to 50 years, and no ongoing payments will be made under the terms of these land leases. Some of the leased staff dormitory have lease terms of 12 months or less and/or are individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(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:

	Leasehold land RMB'000	Buildings RMB'000	Total RMB'000
As at 1 January 2021	317,666	40,347	358,013
Additions	36,794	15,849	52,643
Depreciation charge	(9,364)	(13,257)	(22,621)
As at 31 December 2021 and 1 January 2022	345,096	42,939	388,035
Additions	—	13,453	13,453
Depreciation charge	(9,506)	(10,876)	(20,382)
Gain on termination of a lease	—	(892)	(892)
As at 31 December 2022	335,590	44,624	380,214

At 31 December 2022, certain of the Group's leasehold land, which had aggregate carrying amounts of approximately RMB45,022,000 (2021: RMB31,453,000) was pledged to secure general banking facilities granted to the Group (note 30).

15. Leases (continued)

The Group as a lessee (continued)

(b) Lease liabilities

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

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	**42,944**	39,226
New leases	**13,453**	15,849
Accretion of interest recognised during the year	**1,772**	2,840
Payments	**(16,726)**	(14,971)
Gain on termination of a lease	**(1,622)**	—
Carrying amount at 31 December	**39,821**	42,944
Analysed into:		
Current portion	**12,234**	10,564
Non-current portion	**27,587**	32,380

The maturity analysis of lease liabilities is disclosed in note 44 to the financial statements.

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

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**1,772**	2,840
Depreciation charge of right-of-use assets	**20,382**	22,621
Expense relating to short-term leases (included in administrative expenses)	**4,289**	3,139
Expense relating to leases of low-value assets (included in administrative expenses)	**62**	64
Total amount recognised in profit or loss	**26,505**	28,664

16. Goodwill

	RMB'000
Cost at 1 January 2021	3,918,921
Exchange realignment	(75,038)
Cost and net carrying amount at 31 December 2021	3,843,883
Cost at 1 January 2022	**3,843,883**
Exchange realignment	**296,178**
Cost and net carrying amount at 31 December 2022	**4,140,061**
At 31 December 2022:	
Cost	**4,140,061**
Accumulated impairment	**—**
Net carrying amount	**4,140,061**

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the group of biopharmaceutical products cash-generating units ("**CGUs**"), which is the sole group of CGUs of the Group.

The recoverable amount of the group of CGUs has been determined based on a value in use calculation using cash flow projections which are based on financial forecast approved by the Company's directors covering a period of six years (the "**Forecast Period**"). The discount rate applied to the cash flow projections is 15.0% (2021: 16.0%), which is determined by reference to the average rate for similar industries and the business risk of the relevant business units. The growth rate used to extrapolate the cash flows beyond the Forecast Period is 3% (2021: 3%).

In the opinion of the Company's directors, any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the group of CGUs to exceed the recoverable amount.

Assumptions were used in the value in use calculation of the group of CGUs as at 31 December 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Gross margins — Gross margins are based on the average gross margins achieved in the year immediately before the forecast year and are increased over the Forecast Period for anticipated efficiency improvements and expected market development.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant group of CGUs.

16. Goodwill (continued)

Impairment testing of goodwill (continued)

Growth rate — The growth rate is based on historical sales over the last three years and expected growth rates of the pharmaceutical market according to published industry research.

The values assigned to the key assumptions are consistent with external information sources.

In the opinion of the Company's directors, a decrease in the growth rate by 5% would cause the recoverable amount of the cash-generating unit to exceed its carrying amount by approximately RMB6,268,542,000 to RMB5,452,948,000, and any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

17. Other Intangible Assets

2022

	Exclusive distribution right RMB'000	IP rights RMB'000	Patents and technology know-how RMB'000	IPR&Ds RMB'000	Others RMB'000	Total RMB'000
Cost at 1 January 2022, net of accumulated amortisation	236,598	1,122,193	346,927	132,898	10,548	1,849,164
Additions	–	–	42,420	16,347	5,402	64,169
Amortisation provided during the year	(62,105)	(63,965)	(31,588)	–	(4,661)	(162,319)
Impairment during the year	(186,019)	–	–	–	–	(186,019)
Exchange realignment	13,056	–	–	–	261	13,317
At 31 December 2022	1,530	1,058,228	357,759	149,245	11,550	1,578,312
At 31 December 2022:						
Cost	355,770	1,774,057	578,322	165,241	77,125	2,950,515
Accumulated amortisation and impairment	(354,240)	(715,829)	(220,563)	(15,996)	(65,575)	(1,372,203)
Net carrying amount	1,530	1,058,228	357,759	149,245	11,550	1,578,312

17. Other intangible assets (continued)

2021

	Exclusive distribution right RMB'000	IP rights RMB'000	Patents and technology know-how RMB'000	IPR&Ds RMB'000	Others RMB'000	Total RMB'000
Cost at 1 January 2021,						
net of accumulated amortisation	258,543	1,195,288	314,972	114,714	14,961	1,898,478
Additions	—	—	59,656	18,184	2,019	79,859
Amortisation provided during the year	(16,224)	(73,095)	(27,701)	—	(6,332)	(123,352)
Exchange realignment	(5,721)	—	—	—	(100)	(5,821)
At 31 December 2021	236,598	1,122,193	346,927	132,898	10,548	1,849,164
At 31 December 2021:						
Cost	326,153	1,774,057	535,902	148,894	71,340	2,856,346
Accumulated amortisation and impairment	(89,555)	(651,864)	(188,975)	(15,996)	(60,792)	(1,007,182)
Net carrying amount	236,598	1,122,193	346,927	132,898	10,548	1,849,164

Impairment testing of IPR&Ds

IPR&Ds were either acquired from a third party or capitalised in accordance with the accounting policies for research and development costs in note 2.4 to the financial statements. The useful life of IPR&Ds is considered indefinite until the completion or abandonment of the related research and development efforts. IPR&Ds are not amortised but tested individually for impairment annually. 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.

The recoverable amounts of IPR&Ds have been determined based on a value in use calculation using cash flow projections which are based on financial forecast approved by the Company's directors. The discount rates applied to the three cash flow projections are from 14.0% to 23.5% (2021: from 17.5% to 29.0%), which are determined by reference to the average rates for in progress research and development projects with similar business risk and after taking into account the risk premium in connection with the related research and development efforts.

17. Other intangible assets (continued)

Impairment testing of IPR&Ds (continued)

In the opinion of the Company's directors, any reasonably possible change in the key assumptions on which the recoverable amounts are based would not cause the carrying amounts of IPR&Ds to exceed their recoverable amounts.

Assumptions were used in the value in use calculation of IPR&Ds as at 31 December 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of IPR&Ds:

Discount rates — The discount rates used are before tax and reflect specific risks in respect of the related research and development efforts.

Royalty rates — The royalty rates are based on similar royalty rates charged by third parties in the pharmaceutical and biotech industry.

Growth rates — The growth rates used to extrapolate the cash flows beyond the five-year period are based on the estimated growth rate of the Group taking into account the industry growth rate, past experience and the medium-term or long-term growth target of the Group.

The values assigned to the key assumptions are consistent with external information sources.

18. Investments in joint ventures

	2022 **RMB'000**	2021 RMB'000
Share of net assets	**1,212**	3,767

18. Investments in joint ventures (continued)

Particulars of the Group's joint ventures are as follows:

Name	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Liaoning Sunshine Bio-Pharmaceutical Investment Fund Management Partnership LLP ("**Sunshine Bio-Pharmaceutical Fund**")	PRC/ Mainland China	50%	50%	50%	Health industry investment management
Shenyang Sunshine Logistics Co., Ltd. ("**Shenyang Sunshine Logistics**")	PRC/ Mainland China	50%	50%	50%	Logistics services

The following table illustrates the aggregate financial information of the Group's joint ventures that is not individually material:

	2022 RMB'000	2021 RMB'000
Share of the joint ventures' losses for the year	**(2,555)**	(3,178)
Aggregate carrying amount of the Group's investments in joint ventures	**1,212**	3,767

19. Investments in associates

	2022 RMB'000	2021 RMB'000
Share of net assets	**622,637**	696,823

19. Investments in associates (continued)

Particulars of the Group's associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group %	Principal activities
Refuge Biotechnologies, Inc. (a) ("**Refuge**")	Preferred shares	United States	10.21	Research and development
Shanghai Companion Diagnostics Technology Ltd. (a) ("**Shanghai Companion**")	Ordinary shares	PRC/ Mainland China	14.00	Research and development
Liaoning Sunshine Medical Industry Investment Fund Partnership LLP (a) ("**Sunshine Medical Industry Fund**")	Limited partner	PRC/ Mainland China	66.01	Investment holding
Verseau Therapeutics, Inc. (a) ("**Verseau**")	Preferred shares	United States	11.75	Research and development
Shanghai Corinline Diagnostics Technology Ltd. (a) ("**Corinline**")	Ordinary shares	PRC/ Mainland China	8.00	Research and development
Numab Therapeutics AG, Inc. (a) ("**Numab**")	Preferred shares	Switzerland	8.04	Research and development

Note:

(a) Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

19. Investments in associates (continued)

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

	2022	2021
	RMB'000	RMB'000
Share of the associates' losses for the year	**(31,092)**	(33,923)
Share of the associates' total comprehensive losses	**(31,092)**	(33,923)
Impairment during the year	**(60,039)**	(30,114)
Aggregate carrying amount of the Group's investments in joint ventures	**622,637**	696,823

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

	2022	2021
	RMB'000	RMB'000
Equity investments designated at fair value through other comprehensive income		
Listed equity investments, at fair value	**135,159**	266,068
Unlisted equity investments, at fair value	**419,815**	354,609
	554,974	620,677

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.

21. Deferred tax

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

Deferred tax liabilities

	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Fair value adjustments of financial assets at fair value through profit or loss RMB'000	Others RMB'000	Total RMB'000
At 1 January 2022	227,268	–	37,200	264,468
Deferred tax credited to the consolidated statement of profit or loss during the year (note 11)	(12,758)	31,729	(3,574)	15,397
Gross deferred tax liabilities at 31 December 2022	214,510	31,729	33,626	279,865

21. Deferred tax (continued)

The movements in deferred tax liabilities and assets during the year are as follows: (continued)

Deferred tax assets

	2022						
	Accruals RMB'000	Impairment/ write-off of inventories, other intangible assets, and financial assets RMB'000	Decelerated depreciation for tax purposes RMB'000	Government grants RMB'000	Losses available for offsetting against future taxable profits RMB'000	Others RMB'000	Total RMB'000
At 1 January 2022	85,665	32,304	3,949	25,306	105,938	27,313	280,475
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year (note 11)	90	14,210	3,204	(481)	17,906	(1,000)	33,929
Deferred tax credited to the consolidated statement of comprehensive income	–	–	–	–	–	(5,125)	(5,125)
Gross deferred tax assets at 31 December 2022	85,755	46,514	7,153	24,825	123,844	21,188	309,279

21. Deferred tax (continued)

The movements in deferred tax liabilities and assets during the year are as follows: (continued)

Deferred tax liabilities

	2021		
	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	240,288	31,954	272,242
Deferred tax credited to the consolidated statement of profit or loss during the year (note 11)	(13,020)	5,246	(7,774)
Gross deferred tax liabilities at 31 December 2021	227,268	37,200	264,468

Deferred tax assets

	2021						
	Accruals RMB'000	Impairment/ write-off of inventories, other intangible assets, and financial assets RMB'000	Decelerated depreciation for tax purposes RMB'000	Government grants RMB'000	Losses available for offsetting against future taxable profits RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	84,851	43,075	3,101	23,981	45,142	19,132	219,282
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year (note 11)	814	(10,771)	848	1,325	60,796	935	53,947
Deferred tax credited to the consolidated statement of comprehensive income	–	–	–	–	–	7,246	7,246
Gross deferred tax assets at 31 December 2021	85,665	32,304	3,949	25,306	105,938	27,313	280,475

21. Deferred tax (continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2022, no deferred tax liabilities have been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China (2021: Nil).

In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was approximately RMB8,340,719,000 (2021: RMB6,876,389,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

Deferred tax assets have not been recognised in respect of the following items:

	2022 **RMB'000**	2021 RMB'000
Tax losses arising in Mainland China (a)	**578,414**	454,344
Tax losses arising in Hong Kong and other countries	**1,382,354**	1,052,056
	1,960,768	1,506,400

Note:

(a) The tax losses arising in Mainland China are available for a maximum of ten years for offsetting against future taxable profits of the companies in which the losses arose.

22. Inventories

	2022 RMB'000	2021 RMB'000
Raw materials	**261,504**	239,862
Work in progress	**324,661**	301,124
Finished goods	**94,831**	106,219
Consumables and packaging materials	**61,934**	45,393
	742,930	692,598
Impairment	**(30,766)**	(2,075)
	712,164	690,523

23. Trade and notes receivables

	2022 RMB'000	2021 RMB'000
Trade receivables	**1,282,926**	1,346,626
Notes receivable	**92,560**	89,927
	1,375,486	1,436,553
Provision for impairment of trade receivables	**(65,422)**	(57,796)
	1,310,064	1,378,757

The Group's trading terms with its customers are mainly on credit. The credit period is generally two months, extending up to three months for major customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

23. Trade and notes receivables (continued)

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 RMB'000	2021 RMB'000
Within 1 month	**488,575**	787,646
1 to 3 months	**686,086**	463,622
3 to 6 months	**31,733**	29,003
6 months to 1 year	**10,460**	17,073
1 to 2 years	**23,981**	6,806
Over 2 years	**42,091**	42,476
	1,282,926	1,346,626

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

	2022 RMB'000	2021 RMB'000
At beginning of year	**57,796**	52,430
Impairment losses, net	**7,626**	5,366
At end of year	**65,422**	57,796

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). 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.

23. Trade and notes receivables (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2022

	Ageing						
	Within 1 month	**1 to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 2 years**	**Over 2 years**	**Total**
Expected credit loss rate	**0.68%**	**0.57%**	**0.51%**	**0.59%**	**52.33%**	**100%**	**4.58%**
Gross carrying amount (RMB'000)	**488,575**	**686,086**	**31,733**	**10,460**	**17,016**	**42,091**	**1,275,961**
Expected credit losses (RMB'000)	**3,337**	**3,901**	**162**	**62**	**8,904**	**42,091**	**58,457**

In addition to the above provision matrix, for certain customer whose credit risk increased significantly, the Group has made an individual loss allowance. As at 31 December 2022, the accumulated individual loss allowance was RMB6,965,000 with a carrying amount before loss allowance of RMB6,965,000.

As at 31 December 2021

	Ageing						
	Within 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	0.89%	0.86%	0.99%	0.93%	56.63%	100%	4.29%
Gross carrying amount (RMB'000)	787,646	463,622	29,003	17,073	6,806	42,476	1,346,626
Expected credit losses (RMB'000)	7,026	3,995	287	158	3,854	42,476	57,796

24. Prepayments, other receivables and other assets

	2022 RMB'000	2021 RMB'000
Prepayments, other receivables and other assets — current portion:		
Due from related parties	**410,210**	383,101
Prepayments for shares repurchase	**—**	223,854
Other deposits and other receivables	**137,269**	152,303
Deductible input VAT	**145,698**	134,484
Other prepayments	**68,319**	57,320
	761,496	951,062
Impairment allowance	**(242,531)**	(182,336)
	518,965	768,726
Prepayments, other receivables and other assets — non-current portion:		
Advance payments for property, plant and equipment	**241,538**	201,094
Other non-current assets	**112,272**	97,741
	353,810	298,835

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

	2022 RMB'000	2021 RMB'000
Balances at beginning of the year	**(182,336)**	(77,384)
Charge for the year	**(62,417)**	(104,952)
Write-off	**2,222**	—
At end of year	**(242,531)**	(182,336)

Other receivables mainly represent the Group's receivables from related parties and third parties. According to the related party's historical credit, repayment and mortgage information, the loss given default was estimated to be 1% within one year, 56% from one year to two years and 100% for more than two years.

25. Financial assets at fair value through profit or loss

	2022 RMB'000	2021 RMB'000
Other unlisted investments, at fair value	**4,861,054**	1,900,023

The above unlisted investments were treasury or cash management products issued by banks in Mainland China and other countries. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

26. Cash and cash equivalents and pledged deposits

	2022 RMB'000	2021 RMB'000
Cash and bank balances	**2,149,460**	2,803,262
Restricted cash	**826**	64,815
Pledged deposits	**208,392**	184,592
Non-pledged time deposits	**201,183**	—
	2,559,861	3,052,669
Less:		
Pledged deposits	**(208,392)**	(184,592)
Non-pledged time deposits	**(201,183)**	—
Cash and cash equivalents	**2,150,286**	2,868,077

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The remittance of funds out of Mainland China is subject to exchange restrictions imposed by the PRC government.

26. Cash and cash equivalents and pledged deposits (continued)

The Group's cash and cash equivalents and deposits as at 31 December 2022 are denominated in the following currencies:

	2022 RMB'000	2021 RMB'000
Denominated in:		
— RMB	**2,152,711**	2,147,790
— HKD	**34,118**	267,370
— USD	**299,199**	458,950
— EUR	**73,832**	178,557
— Great Britain Pound ("**GBP**")	**1**	2
	2,559,861	3,052,669

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values as at the end of the reporting period. Deposits of approximately RMB208,392,000 (2021: RMB184,592,000) have been pledged to secure letters of credit, bank acceptance bills and pending lawsuits and arbitration as at 31 December 2022.

27. Trade and bills payables

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 RMB'000	2021 RMB'000
Within 3 months	**217,964**	198,307
3 to 6 months	**27,195**	23,896
Over 6 months	**4,336**	8,204
	249,495	230,407

The trade and bills payables are non-interest-bearing and repayable within the normal operating cycle or on demand.

28. Other payables and accruals

	2022 RMB'000	2021 RMB'000
Accrued selling and marketing expenses	**492,382**	402,237
Accrued salaries, bonuses and welfare expenses	**205,273**	165,786
Contract liabilities (a)	**50,692**	20,539
Taxes payable (other than income tax)	**45,079**	75,373
Payable to vendors of property, plant and equipment and other intangible assets	**113,189**	120,098
Others	**121,891**	137,181
	1,028,506	921,214

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000	1 January 2021 RMB'000
Short-term advances received from customers			
Contract development and manufacturing operation business	**20,509**	—	—
Sale of biopharmaceuticals	**30,183**	20,539	33,733
Total contract liabilities	**50,692**	20,539	33,733

(b) Other payables are non-interest-bearing.

29. Deferred income

	2022 RMB'000	2021 RMB'000
At beginning of the year	**430,532**	344,573
Received during the year		
— Government grants (a)	**52,575**	122,729
Less: Recognition during the year		
— Government grants (a)	**(37,644)**	(36,770)
	445,463	430,532
Less: Deferred income — current portion		
— Government grants (a)	**(28,549)**	(33,905)
	416,914	396,627

Note:

(a) The grants relate to the subsidies received from the government for compensation for expenses arising from research and the improvement of manufacturing facilities on certain special projects. Upon completion of the related projects and the final assessment of the relevant government authorities, the grants related to the expense items will be recognised as other income directly in the consolidated statement of profit or loss when such expense items have been incurred by the Group and the grants related to an asset will be released to the consolidated statement of profit or loss over the expected useful life of the relevant asset.

30. Interest-bearing bank and other borrowings

	2022			2021		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — unsecured	2.30–2.80	2023	300,259	3.15–3.30	2022	150,189
Bank loan — secured	4.10	2023	63,000	—	—	—
			363,259			150,189
Non-current						
Bank loan — unsecured	1.48–6.27	2024–2025	1,716,787	4.20	2029	30,000
Bank loans — secured	2.75–4.20	2024–2031	184,961	2.75–4.10	2028–2031	134,148
			1,901,748			164,148
Convertible bonds (note 31)	1.50	2020–2025	2,163,735	1.50	2020–2025	2,271,598
			4,065,483			2,435,746
			4,428,742			2,585,935

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

	2022 RMB'000	2021 RMB'000
Interest-bearing bank borrowings denominated in:		
— RMB	**496,260**	260,189
— HKD	**859,031**	—
— USD	**857,756**	—
— EUR	**51,960**	54,148
Total	**2,265,007**	314,337

	2022 RMB'000	2021 RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**363,259**	150,189
In the second year	**470,309**	—
In the third to tenth years, inclusive	**1,431,439**	164,148
	2,265,007	314,337

Notes:

(a) The bank borrowings bear interest at fixed interest rates ranging from 1.48% to 6.27% per annum.

(b) Certain of the Group's bank borrowings are secured by mortgages over the Group's freehold land, leasehold land, buildings and constructions in progress. Please refer to note 14 and note 15.

(c) Certain of the Group's bank loans are secured by the 90.34% equity interests in Desen Biologics held by Shenyang Sunshine.

(d) The carrying amounts of the current bank borrowings approximate to their fair values.

31. Convertible bonds

On 29 June 2020, Strategic International issued Euro-denominated zero-coupon convertible bonds (the "**2025 Bonds**") with a nominal value of EUR320,000,000. The 2025 Bonds are guaranteed by the Company and convertible at the option of the bondholders into ordinary shares with the initial conversion price of HKD13.1750 per share at any time on and after 9 August 2020 and up to the close of business on the date falling seven days prior to 29 June 2025. The 2025 Bonds are redeemable at the option of the bondholders at a 1.50% gross yield upon early redemption. On 15 July 2022, the 2025 Bonds were repurchased partially with a nominal value of EUR31,000,000.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The 2025 Bonds issued during the year have been split into the liability and equity components as follows:

	RMB'000
Nominal value of convertible bonds issued at 29 June 2020	2,547,520
Equity	(111,172)
Direct transaction costs attributable to the liability component	(25,475)
Liability component at the issuance date	2,410,873
Interest accrual	30,592
Exchange realignment	19,962
Liability component at 1 January 2021	2,461,427
Interest accrual	60,416
Exchange realignment	(250,245)
Liability component at 31 December 2021	2,271,598
Liability component at 1 January 2022	2,271,598
Interest accrual	54,649
Repurchase	(227,873)
Exchange realignment	65,361
Liability component at 31 December 2022 (note 30)	2,163,735

32. Retirement benefit obligations

The Italian subsidiary of the Group operates an unfunded defined benefit plan, namely the Italian staff leaving indemnity (the "**TFR**"). The TFR is classified as a defined benefit pension plan, which defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

In 2007, with the Italian labour law reform, it was decided that the TFR accrued each month starting from January 2008 would be paid monthly to a private external fund or social institution, transforming the contribution to the pension plan into a defined contribution plan. It was also decided that the remaining TFR balances by the end of 2007 would be recorded as non-current liabilities to be paid to employees upon retirement. Such TFR balances are subject to actuarial valuation in accordance with IAS 19.

The TFR benefit liability represents the present value of the defined benefit obligations at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligations are calculated annually by an independent actuary using the project unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows. Actuarial gains and losses arising from the changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Past service costs are recognised immediately in profit or loss.

The plan is exposed to inflation risk and the risk of changes in the life expectancy of the plan members.

The principal actuarial assumptions used at the end of the reporting period are as follows:

	2022
Discount rate (%)	
Expected rate of future pension cost increases by (%) — 2023	**7.3**
Expected rate of future pension cost increases by (%) — 2024	**2.6**
Expected rate of future pension cost increases by (%) — 2025	**1.9**
Expected rate of future pension cost increases by (%) — from 2026	**1.9**

	2021
Discount rate (%)	
Expected rate of future pension cost increases by (%) — 2022	1.8
Expected rate of future pension cost increases by (%) — 2023	3.0
Expected rate of future pension cost increases by (%) — 2024	3.0
Expected rate of future pension cost increases by (%) — from 2025	3.0

32. Retirement benefit obligations (continued)

A quantitative sensitivity analysis for significant assumption as at the end of the reporting period is shown below:

	Increase in rate %	Net decrease in defined benefit obligations RMB'000	Decrease in rate %	Net increase in defined benefit obligations RMB'000
2022				
Discount rate	**0.5**	**(683)**	**0.5**	**(1,032)**
2021				
Discount rate	0.5	22	0.5	(513)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis above is based on a change in an assumption while holding all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

The total expenses recognised in the consolidated statement of profit or loss in respect of the plan are as follows:

	2022 RMB'000	2021 RMB'000
Current service cost	**329**	403
Interest cost	**45**	22
Net benefit expenses	**374**	425
Recognised in finance costs	**374**	425

32. Retirement benefit obligations (continued)

The movements in the present value of the defined benefit obligations are as follows:

	2022 RMB'000	2021 RMB'000
At 1 January	**5,568**	6,276
Current service cost	**329**	403
Interest cost	**45**	22
Benefit paid	**(742)**	(232)
Actuarial loss	**(825)**	(275)
Exchange realignment	**99**	(626)
At 31 December	**4,474**	5,568

The plan has no defined benefit plan assets.

The Group does not expect to make further contributions to the defined benefit plan in future years.

The average duration of the defined benefit obligations at the end of the reporting period was 15 years (2021: 15 years).

33. Share capital

	2022 RMB'000	2021 RMB'000
Issued and fully paid:		
2,438,870,412 (2021: 2,522,355,499) ordinary shares	**149**	155

	Number of shares in issue	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Ordinary shares of USD0.00001 each at 31 December 2021 and 1 January 2022	**2,522,355,499**	**155**	**4,152,181**	**4,152,336**
Shares options exercised (a)	**2,275,000**	**—**	**16,926**	**16,926**
Shares cancelled (b)	**(85,760,087)**	**(6)**	**(475,674)**	**(475,680)**
Ordinary shares of USD0.00001 each at 31 December 2022	**2,438,870,412**	**149**	**3,693,433**	**3,693,582**

	Number of shares	Treasury shares RMB'000
At 1 January 2021	**—**	**—**
Repurchased	**26,898,000**	**189,043**
Cancelled	**(26,898,000)**	**(189,043)**
At 31 December 2021	**—**	**—**
Repurchased	**126,117,775**	**711,321**
Cancelled	**(85,760,087)**	**(475,680)**
At 31 December 2022	**40,357,688**	**235,641**

33. Share capital (continued)

Notes:

(a) The subscription rights attaching to 25,000 share options and 2,250,000 awarded shares were exercised at the subscription price of HKD7.62 per share and nil consideration (note 34), respectively, resulting in the issue of 2,275,000 shares for a total cash consideration of RMB169,000. An amount of RMB16,757,000 was transferred from the contributed surplus to share premium upon the exercise of the share options.

(b) The Group repurchased a total of 126,117,775 ordinary shares at an aggregate cash consideration of RMB711,321,000 during the year. The amount of 85,760,087 repurchased shares have been cancelled during the year.

34. Share incentive scheme

Share option scheme adopted by the Company

On 26 September 2016, a total of 20,000,000 share options, each of which entitles the holders to subscribe for one ordinary share of the Company at an exercise price of HKD9.10, under the post-IPO share option scheme of the Company adopted on 23 May 2015 and 28 June 2016 (the "**Share Option Scheme**"), were granted to TMF (Cayman) Ltd. ("**TMF**"), as the trustee of The Empire Trust (the "**Grantee**"), a trust established by the Company for the beneficiaries who are executive directors and employees of the Group and its holding companies, and any other persons as nominated from time to time by the advisory committee of the Grantee that is established with the authority of the board of the directors of the Company. The share options will vest and become exercisable upon meeting certain vesting conditions. If the vesting conditions are not met, the share options will lapse.

On 2 February 2017, the Company and the Grantee had agreed that the grant of 20,000,000 share options which was approved by the board on 22 September 2016 was cancelled at nil consideration. By the date of cancellation, no beneficiary had been nominated by the advisory committee of the Grantee and no options had been designated to any beneficiary, and thus the Group did not recognise any share-based payment expenses in relation to the cancelled 20,000,000 share options. On the same date, a total of 20,000,000 share options, each of which entitles the holders to subscribe for one ordinary share of the Company at an exercise price of HKD7.62 (which is the highest of the closing price of HKD7.30 per share and the average closing price of HKD7.62 per share) were granted to TMF, as the trustee of the Grantee under the Share Option Scheme for the benefits of the designated beneficiaries. The share options will vest and become exercisable upon meeting certain vesting conditions. If the vesting conditions are not met, the share options will lapse.

34. Share incentive scheme (continued)

Share option scheme adopted by the Company (continued)

The following share options were outstanding under the Share Option scheme during the year:

	2022		2021	
	Weighted average exercise price HKD per share	**Number of options '000**	Weighted average exercise price HKD per share	Number of options '000
At 1 January	**7.62**	**16,561**	7.62	18,115
Granted during the year	**—**	**—**	—	—
Forfeited during the year	**—**	**—**	7.62	(902)
Exercised during the year	**7.62**	**(25)**	7.62	(652)
Expired during the year	**—**	**—**	—	—
At 31 December	**7.62**	**16,536**	7.62	16,561

The weighted average share price at the date of exercise for share options exercised during the year was HKD8.36 per share (2021: HKD11.59 per share).

The fair value of the share options at the grant date is estimated using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. The contractual life of each option granted is ten years. There is no cash settlement of the share options. The fair value of share options granted on 2 February 2017 was estimated on the date of grant using the following assumptions:

Dividend yield (%)	—
Expected volatility (%)	39.63
Risk-free interest rate (%)	1.91
Expected contractual life of share options (years)	10.00
Underlying share price (RMB)	6.45
Exercise price of each share option (RMB)	6.73

At the end of the reporting period, the Company had 16,536,000 share options outstanding under the Share Option Scheme, which represented approximately 0.68% of the Company's shares in issue as at that date.

As the vesting period has passed, the share options have been fully amortised for the year ended 31 December 2022. No share-based payment expenses have been recorded in the consolidated statement of profit or loss during the year ended 31 December 2022 (2021: RMB2,488,000).

34. Share incentive scheme (continued)

Share award scheme adopted by the Company

As part of the Group's initiatives to recognise the contributions of the selected participants, attract suitable personnel and provide the selected participants with a direct economic interest in attaining a long-term relationship between the Group and the selected participants, on 16 July 2019, the board of the directors of the Company approved the adoption of the share award scheme and the award of a maximum of 10,000,000 shares to 37 independent employees of the Group. Such award is subject to vesting conditions and the awarded shares will lapse if the vesting conditions are not met. Since 23 March 2020, a total of 9,885,448 shares has been awarded to and vested with 32 employees of the Group at nil consideration.

The fair value of the awarded shares at the grant date is estimated using a binomial option pricing model, taking into account the terms and conditions upon which the awarded shares were granted. There is no cash settlement of the share award. The fair value of the share award granted on 23 March 2020 was estimated on the date of grant using the following assumptions:

Dividend yield (%)	—
Expected volatility (%)	44.83
Risk-free interest rate (%)	0.86
Discounts for the lack of marketability (%)	17.00
Expected contractual life of share options (years)	10.00
Underlying share price (RMB)	5.12

The Group had recorded share-based payment expenses of RMB8,195,000 in the consolidated statement of profit or loss during the year ended 31 December 2022 (2021: RMB16,611,000).

On 7 September 2020, the board of the directors of the Company approved the grant of 10,000,000 shares through the share award scheme at nil consideration to Dr. Zhu. The fair value of the 10,000,000 awarded shares granted to Dr. Zhu is approximately HKD84,400,000 on the grant date. The 2,250,000 awarded shares were exercised during the year. At the end of the reporting period, the Company had 2,750,000 awarded shares outstanding under the share award scheme, which represented approximately 0.11% of the Company's shares in issue as at that date.

34. Share incentive scheme (continued)

Restricted share incentive plan adopted by Sunshine Guojian

As part of the Group's initiatives to recognise the contributions of the selected participants, attract suitable personnel and provide the selected participants with a direct economic interest in attaining a long-term relationship between the Group and the selected participants, the board of the directors of Sunshine Guojian approved the adoption of the restricted share incentive plan of 2,670,600 shares with exercise price at RMB4.00 per share, as which 2,243,500 restricted shares were granted to 139 employees and 427,100 restricted shares were granted to 33 employees of Sunshine Guojian on 8 April 2021 and 16 February 2022, respectively. Vesting conditions upon which the restricted shares will vest and become exercisable by batch include revenue growth rate and the progress of research and development programs from 2021 to 2023. If the vesting conditions are not met, the restricted shares will lapse.

The fair value of the restricted shares at the grant date is estimated using a binomial option pricing model, taking into account the terms and conditions upon which the restricted shares were granted. There is no cash settlement of the restricted shares.

There were 574,380 restricted shares exercised during the year ended 31 December 2022 (2021: Nil). There were 1,225,221 restricted shares lapsed during the year ended 31 December 2022 (2021: Nil). At the end of the reporting period, Sunshine Guojian had 870,999 restricted shares outstanding under the restricted share incentive plan, which represented approximately 0.14% of Sunshine Guojian's shares in issue as at that date. The Group had recorded share-based payment expenses of RMB2,543,000 in the statement of profit or loss during the year ended 31 December 2022 (2021: RMB11,168,000).

35. Reserves

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

Statutory surplus reserves

Pursuant to the relevant PRC rules and regulations, those PRC subsidiaries which are domestic enterprises in the PRC as mentioned in note 1 to the financial statements are required to transfer no less than 10% of their profits after taxation, as determined under PRC accounting regulations and their respective articles of association, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the dividend distribution to shareholders.

36. Notes to the consolidated statement of cash flows

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB9,885,000 and RMB11,831,000, respectively, in respect of lease arrangements for certain buildings (2021: RMB30,022,000 and RMB161,000).

(b) Changes in liabilities arising from financing activities

2022

	Bank and other borrowings RMB'000	**Lease liabilities RMB'000**	**Convertible bonds RMB'000**
At 1 January 2022	**314,337**	**42,944**	**2,271,598**
Changes from financing cash flows	**1,885,471**	**(16,726)**	**(227,873)**
New leases	**—**	**11,831**	**—**
Interest accrual	**—**	**1,772**	**54,649**
Exchange realignment	**65,199**	**—**	**65,361**
At 31 December 2022	**2,265,007**	**39,821**	**2,163,735**

2021

	Bank and other borrowings RMB'000	Lease liabilities RMB'000	Convertible bonds RMB'000
At 1 January 2021	413,466	39,226	2,461,427
Changes from financing cash flows	(96,794)	(12,131)	—
New leases	—	15,849	—
Interest accrual	—	2,840	60,416
Interest paid classified as operating cash flows	—	(2,840)	—
Exchange realignment	(2,335)	—	(250,245)
At 31 December 2021	314,337	42,944	2,271,598

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

(c) Total cash outflow for leases

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

	2022 RMB'000	2021 RMB'000
Within operating activities	**4,351**	6,047
Within financing activities	**16,726**	12,131
	21,077	18,178

37. Contingent liabilities

Arbitration of Sunshine Guojian

In July 2021, Aohai Biotechnology (Shanghai) Co., Ltd. ("**Aohai**") filed an arbitration application with Shanghai International Economic and Trade Arbitration Commission for a dispute with regard to its collaboration with Sunshine Guojian and the application has been accepted. Aohai requested to terminate its cooperation agreement with Sunshine Guojian signed in December 2015 with a compensation of RMB131.4 million. In August 2021, Sunshine Guojian received the dispute notice with a compensation of RMB131.1 million. In December 2022, Aohai altered the dispute application with a compensation of RMB401.02 million. At the date of approval of the consolidated financial statements, the arbitration is still in progress.

The directors of the Company has made an overall analysis including obtaining a legal opinion from an external lawyer, according to which, the possibility of the compensation is remote. There is no significant impact to the consolidated financial statements as at 31 December 2022.

38. 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 30 to the financial statements.

39. Commitments

The Group had the following capital commitments at the end of the reporting period:

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for:		
Plant and machinery	**853,803**	830,779
Capital contribution payable to funds	**466,667**	466,667
	1,320,470	1,297,446

40. Related party transactions

Details of the Group's principal related parties are as follows:

Company	Relationship
Shenyang Sunshine Logistics	Joint venture
Dalian Huansheng Medical Investment Co., Ltd. ("**Dalian Huansheng**")	Under control of certain middle management personnel of the Company
Liaoning Sunshine Technology Development Co., Ltd. ("**Liaoning Sunshine Technology**")	A subsidiary of Dalian Huansheng
Zhejiang Sunshine Pharmaceutical Co., Ltd ("**Zhejiang Sunshine**")	Under control of certain middle management personnel of the Company
Medical Recovery	Under control of directors of the Company
Verseau	Associate
Mighty Decade Limited ("**Mighty Decade**")	Under control of directors of the Company
Numab	Associate
Shanghai Sunshine Guojian Biotechnology Research Institute ("**Guojian Biotechnology**")	A private non-enterprise unit set up by Sunshine Guojian

40. Related party transactions (continued)

(a) The Group had the following other transactions with related parties during the year:

	2022 RMB'000	2021 RMB'000
Services rendered to Verseau	—	6,379
Services received from Verseau	—	12,942
Lease from Shenyang Sunshine Logistics	3,948	4,057
Services received from Dalian Huansheng	6,419	3,993
Licence fee to Numab	13,321	—
Purchases of raw materials from Liaoning Sunshine Technology	721	142
Sales of raw materials to Liaoning Sunshine Technology	361	—
Lease to Guojian Biotechnology	55	55

* The service prices were negotiated by the Group and the related parties in accordance with the market price.

(b) The Group had the following loans and prepayments with related parties during the year:

	Notes	2022 RMB'000	2021 RMB'000
Convertible loan including interest to Zhejiang Sunshine	(i)	6,826	6,826
Loans to Liaoning Sunshine Technology	(ii)	36,493	66,920
Loans to Dalian Huansheng	(iii)	11,898	11,523
Loans to Zhejiang Sunshine	(iv)	93,583	92,717
Loans to Medical Recovery	(v)	243,968	217,130
Prepayments for shares repurchase to Mighty Decade	(vi)	223,854	223,854

Notes:

(i) On 29 March 2016, Shenyang Sunshine lent to Zhejiang Sunshine, a related party which was under control of certain middle management personnel of the Company, a convertible loan with a principal amount of RMB75,000,000 at an annual interest rate of 8%. The convertible loan can be converted into equity interests in Zhejiang Sunshine at the discretion of Shenyang Sunshine. In 2017, Zhejiang Sunshine had repaid the principal amount of RMB50,000,000. Pursuant to the supplemental agreement dated 29 June 2018, the maturity date was extended to 29 June 2020. In 2020, Zhejiang Sunshine had repaid the principal amount of RMB25,000,000. In 2022, Shenyang Sunshine exempted Zhejiang Sunshine from interest amounting to RMB6,826,000. There was no accrued interest during the year (2021: Nil).

(ii) On 20 June 2019, Shenzhen Sciprogen provided a loan with the principal amount of RMB32,200,000 to Liaoning Sunshine Technology at an interest rate of 3.92% per annum with the maturity date on 20 June 2021. There was no accrued interest for the year of 2022 (2021: RMB598,000). On 17 June 2021, Liaoning Sunshine Technology repaid the loan principal of RMB32,200,000 to Shenzhen Sciprogen.

On 24 June 2021, Guangdong Sunshine provided a loan with the principal amount of RMB32,200,000 to Liaoning Sunshine Technology at an interest rate of 3.65% per annum with the maturity date on 23 June 2022. Pursuant to a supplemental agreement dated 23 June 2022, the maturity date was extended to 23 June 2023.The accrued interest for the year of 2022 was RMB1,175,000 (2021: RMB604,000).

40. Related party transactions (continued)

(b) The Group had the following loans and prepayments with related parties during the year: (continued)

Notes: (continued)

(iii) It represents a loan to Dalian Huansheng with the principal amount of RMB10,000,000 and maturity date on 27 May 2022. The interest rate is 4.35% per annum. Pursuant to a supplemental agreement dated 27 May 2022, the maturity date was extended to 27 May 2023 and the interest rate was changed to 3.33% per annum. The accrued interest for the year of 2022 was RMB376,000 (2021: RMB435,000).

(iv) On 8 August 2019, Shenyang Sunshine provided an entrusted loan with the principal amount of RMB30,000,000 to Zhejiang Sunshine at an annual interest rate of 3.48% per annum. Pursuant to supplemental agreements dated 7 August 2022, the maturity date was extended to 7 August 2023 and the interest rate was changed to 3.65% per annum. The accrued interest for the year of 2022 was RMB1,095,000 (2021: RMB1,064,000).

On 30 November 2020, Shenyang Sunshine provided an entrusted loan with the principal amount of RMB55,000,000 to Zhejiang Sunshine at an annual interest rate of 3.15% per annum. Pursuant to a supplemental agreement dated 11 November 2022, the maturity date was extended to and 11 November 2023 and the interest rate was changed to 3.65% per annum. The accrued interest for the year of 2022 was RMB1,993,000 (2021: RMB1,750,000).

On 8 August 2018, Xing Sheng provided a loan of RMB1,100,000 to Zhejiang Sunshine with no maturity date and interest.

(v) It represents a loan to Medical Recovery with the principal amount of USD30,000,000 and maturity date on 17 July 2023, which was secured by mortgages over all assets of Medical Recovery. The interest rate is 4% per annum. The accrued interest for the year of 2022 was RMB9,171,000 (2021: RMB5,241,000).

(vi) On 22 December 2021, the Company prepaid RMB223,854,000 to Mighty Decade to repurchase 40,357,688 shares of the Company held by CS Sunshine.

(c) Outstanding balances with related parties:

The Group had the following significant balances with its related parties at the end of the reporting period:

	2022 RMB'000	2021 RMB'000
Due from related parties		
Medical Recovery	**176,904**	150,066
Zhejiang Sunshine	**—**	24,200
Liaoning Sunshine Technology	**14,498**	31,878
Directors and senior management	**12,000**	15,343
Verseau	**—**	6,376
Mighty Decade	**—**	223,854
	203,402	451,717

(d) Compensation of key management personnel of the Group:

Key management compensation is detailed in notes 8 and 9 to the financial statements.

41. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2022

Financial assets

	Financial assets at fair value through profit or loss Designated as such upon initial recognition RMB'000	Financial assets at fair value through other comprehensive income Equity investment RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	554,974	–	554,974
Financial assets at fair value through profit or loss	4,861,054	–	–	4,861,054
Financial assets included in prepayments, other receivables and other assets	–	–	308,351	308,351
Trade and notes receivables	–	–	1,310,064	1,310,064
Cash and cash equivalents	–	–	2,150,286	2,150,286
Pledged deposits	–	–	208,392	208,392
Non-pledged time deposits	–	–	201,183	201,183
	4,861,054	554,974	4,178,276	9,594,304

41. Financial instruments by category (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2022 (continued)

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	249,495
Financial liabilities included in other payables and accruals	235,080
Interest-bearing bank and other borrowings	2,265,007
Convertible bonds	2,163,735
	4,913,317

41. Financial instruments by category (continued)

2021

Financial assets

	Financial assets at fair value through profit or loss Designated as such upon initial recognition RMB'000	Financial assets at fair value through other comprehensive income Equity investment RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	620,677	–	620,677
Financial assets at fair value through profit or loss	1,900,023	–	–	1,900,023
Financial assets included in prepayments, other receivables and other assets	–	–	342,490	342,490
Trade and notes receivables	–	–	1,378,757	1,378,757
Cash and cash equivalents	–	–	2,868,077	2,868,077
Pledged deposits	–	–	184,592	184,592
	1,900,023	620,677	4,773,916	7,294,616

41. Financial instruments by category (continued)

2021 (continued)

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	230,407
Financial liabilities included in other payables and accruals	257,791
Interest-bearing bank and other borrowings	314,337
Convertible bonds	2,271,598
	3,074,133

42. Transfers of financial assets

As at 31 December 2022, the Group endorsed certain notes receivable (the "**Derecognised Bills**") accepted by major banks in Mainland China (the "**PRC banks**") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount totalling approximately RMB8,297,000 (2021: RMB6,870,000). The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2022, the Group had not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsements had been made evenly throughout the year.

43. 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	
	31 December 2022 RMB'000	31 December 2021 RMB'000	**31 December 2022 RMB'000**	31 December 2021 RMB'000
Financial assets				
Equity investments designated at fair value through other comprehensive income	**554,974**	620,677	**554,974**	620,677
Financial assets at fair value through profit or loss	**4,861,054**	1,900,023	**4,861,054**	1,900,023
Non-pledged time deposits	**201,183**	—	**204,796**	—
	5,617,211	2,520,700	**5,620,824**	2,520,700
Financial liabilities				
Interest-bearing bank borrowings: non-current	**1,901,748**	164,148	**1,902,998**	156,860
Convertible bonds	**2,163,735**	2,271,598	**2,163,735**	2,271,598
	4,065,483	2,435,746	**4,066,733**	2,428,458

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and notes receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

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. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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.

43. Fair value and fair value hierarchy of financial instruments (continued)

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank borrowings, convertible bonds and non-pledged time deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2022 were assessed to be insignificant. The fair value of the liability portion of the convertible bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("**EV/EBITDA**") multiple and price to earnings ("**P/E**") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. 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, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group invests in unlisted investments, which represent treasury or cash management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

43. Fair value and fair value hierarchy of financial instruments (continued)

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Market approach	Discount for lack of marketability	2022: (10%) to 10% (2021: (10%) to 10%)	10% (2021: 10%) increase/decrease in discount would result in decrease/increase in fair value of RMB89,000 and RMB89,000, respectively (2021: RMB2,249,000 and RMB1,840,000)

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

43. Fair value and fair value hierarchy of financial instruments (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income:				
Listed equity investments	135,159	—	—	135,159
Unlisted equity investments	—	—	419,815	419,815
Financial assets at fair value through profit or loss:				
Treasury or cash management products	—	4,861,054	—	4,861,054
	135,159	4,861,054	419,815	5,416,028

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
Equity investments designated at fair value through other comprehensive income:				
Listed equity investments	266,068	—	—	266,068
Unlisted equity investments	—	—	354,609	354,609
Financial assets at fair value through profit or loss:				
Treasury or cash management products	—	1,900,023	—	1,900,023
	266,068	1,900,023	354,609	2,520,700

43. 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:

	2022 RMB'000	2021 RMB'000
Equity investments at fair value through other comprehensive income:		
At 1 January	354,609	267,522
Purchases	47,394	76,139
Redemption of investments	(5,948)	(9,154)
Transfer to listed equity investment, net	(7,268)	—
Total gains recognised in other comprehensive income	31,028	24,099
Exchange realignment	—	(3,997)
At 31 December	419,815	354,609

The Group did not have any financial liabilities measured at fair value as at 31 December 2022 and 31 December 2021.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial liabilities (2021: Nil), and there were approximately RMB7,268,000 of fair value measurements transferred from Level 3 to Level 1 for financial assets (2021: Nil).

43. Fair value and fair value hierarchy of financial instruments (continued)

Fair value hierarchy (continued)

Assets for which fair values are disclosed:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Non-pledged time deposits	–	204,796	–	204,796

Liabilities for which fair values are disclosed:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings:				
non-current	–	1,902,998	–	1,902,998
Convertible bonds	–	2,163,735	–	2,163,735
	–	4,066,733	–	4,066,733

43. Fair value and fair value hierarchy of financial instruments (continued)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed: (continued)

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
Interest-bearing bank and other borrowings:				
non-current	—	156,860	—	156,860
Convertible bonds	—	2,271,598	—	2,271,598
	—	2,428,458	—	2,428,458

44. Financial risk management objectives and policies

The Group's principal financial instruments comprise cash and cash equivalents, pledged deposits, interest-bearing bank and other borrowings, lease liabilities and convertible bonds. 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 notes 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 and senior management meet periodically to analyse and formulate measures to manage the Group's exposure to these risks.

Interest rate risk

The Group is exposed to cash flow interest rate risk due to fluctuations in the prevailing market interest rates on cash and cash equivalents, and pledged and non-pledged deposits. Management considers that these bank balances are not sensitive to fluctuations in interest rates.

44. Financial risk management objectives and policies (continued)

Interest rate risk (continued)

The Group's interest rate risk relates primarily to bank borrowings. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The Group's interest rate profile as monitored by management is set out in note 30 to the financial statements.

Foreign currency risk

The Group's business is mainly located in Mainland China and most transactions are conducted in RMB. Most of the Group's assets and liabilities were denominated in RMB, except for certain bank balances denominated in USD, HKD, GBP and EUR as disclosed in note 26, non-current portion of interest-bearing bank borrowings denominated in USD, HKD and EUR as disclosed in note 30 and Euro-denominated convertible bonds as disclosed in note 31 to the financial statements.

The Group's assets and liabilities denominated in USD and EUR were mainly held by the Company and certain subsidiaries incorporated outside Mainland China which had USD and EUR as their functional currencies, and the Group did not have material foreign currency transactions during the year.

Credit risk

As at 31 December 2022, all pledged deposits and cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show 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 2022. The amounts presented are gross carrying amounts for financial assets.

44. Financial risk management objectives and policies (continued)

Credit risk (continued)

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and notes receivables*	—	—	—	1,310,064	1,310,064
Financial assets included in prepayments, other receivables and other assets*	—	—	—	308,351	308,351
Pledged deposits					
— Not yet past due	208,392	—	—	—	208,392
Cash and cash equivalents					
— Not yet past due	2,150,286	—	—	—	2,150,286
Non-pledged time deposits					
— Not yet past due	201,183	—	—	—	201,183
	2,559,861	—	—	1,618,415	4,178,276

44. Financial risk management objectives and policies (continued)

Credit risk (continued)

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	Total RMB'000
Trade and notes receivables*	—	—	—	1,378,757	1,378,757
Financial assets included in prepayments, other receivables and other assets*	—	—	—	342,490	342,490
Pledged deposits					
— Not yet past due	184,592	—	—	—	184,592
Cash and cash equivalents					
— Not yet past due	2,868,077	—	—	—	2,868,077
	3,052,669	—	—	1,721,247	4,773,916

* For trade and notes receivables, financial assets included in prepayments, other receivables and other assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 23 and note 24 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 and by geographical region. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade and notes receivables are widely dispersed in different regions.

44. Financial risk management objectives and policies (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds based on the maturity of its financial assets and financial liabilities and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings, convertible bonds, lease liabilities and issue of new debts or equity instruments. The directors have reviewed the Group's profitability, working capital and capital expenditure requirements and determined that the Group has no significant liquidity risk.

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

Group

	2022			
	Within 3 months RMB'000	3 to 12 months RMB'000	1 to 10 years RMB'000	Total RMB'000
Financial liabilities:				
Trade and bills payables	217,964	28,445	3,086	249,495
Financial liabilities included in other payables and accruals	162,886	21,828	50,366	235,080
Interest-bearing bank and other borrowings	259	363,000	1,901,748	2,265,007
Convertible bonds	—	—	2,163,735	2,163,735
Lease liabilities	1,586	9,603	37,736	48,925
	382,695	422,876	4,156,671	4,962,242

44. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Group (continued)

	2021			
	Within 3 months RMB'000	3 to 12 months RMB'000	1 to 10 years RMB'000	Total RMB'000
Financial liabilities:				
Trade and bills payables	198,307	23,896	8,204	230,407
Financial liabilities included in other payables and accruals	107,201	59,902	90,688	257,791
Interest-bearing bank and other borrowings	99,825	50,322	164,190	314,337
Convertible bonds	—	—	2,271,598	2,271,598
Lease liabilities	664	8,215	43,797	52,676
	405,997	142,335	2,578,477	3,126,809

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 equity investments designated at fair value through other comprehensive income (note 20) as at 31 December 2022 and 31 December 2021. The Group's major listed equity investments during the year ended 31 December 2022 were listed on the Euronext Stock Market ("**Euronext**") and Hong Kong Exchanges and Clearing Market ("**HKEX**") and were valued at quoted market prices at the end of the reporting period.

At 31 December 2022, if the quoted market price of these financial assets held by the Group had increased/decreased by 10%, with all other variables held constant, other comprehensive income and equity would have been RMB13,516,000 (2021: RMB26,607,000) and RMB13,516,000 (2021: RMB26,607,000) higher/lower respectively as a result of the changes in fair value of these financial assets.

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 adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares or debt instruments. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2022.

44. Financial risk management objectives and policies (continued)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is interest-bearing bank and other borrowings, lease liabilities and convertible bonds divided by the total equity.

The gearing ratios as at the end of the reporting periods were as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Interest-bearing bank and other borrowings (note 30)	**2,265,007**	314,337
Lease liabilities (note15(b))	**39,821**	42,944
Convertible bonds (note 31)	**2,163,735**	2,271,598
	4,468,563	2,628,879
Total equity	**15,400,450**	14,657,797
Gearing ratio	**29.0%**	17.9%

45. Event after the reporting period

There was no significant event after the reporting period.

46. 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:

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	3,163,537	2,901,191
Investments in associates	—	63,027
Equity investments designated at fair value through other comprehensive income	128,072	177,665
Total non-current assets	3,291,609	3,141,883
CURRENT ASSETS		
Due from subsidiaries	1,034,071	1,799,499
Cash and cash equivalents	13,848	30,821
Total current assets	1,047,919	1,830,320
CURRENT LIABILITIES		
Other payables and accruals	714,467	889,784
Total current liabilities	714,467	889,784
NET CURRENT ASSETS	333,452	940,536
TOTAL ASSETS LESS CURRENT LIABILITIES	3,625,061	4,082,419
NON-CURRENT LIABILITIES	—	—
Total non-current liabilities	—	—
Net assets	3,625,061	4,082,419
EQUITY		
Share capital	149	155
Share premium (note)	3,602,310	4,077,545
Other reserves (note)	22,602	4,719
Total equity	3,625,061	4,082,419

46. Statement of financial position of the company (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium	Contributed surplus	Treasury shares	Fair value reserve	Exchange fluctuation reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	4,223,018	171,405	—	(59,756)	72,395	(23,353)	4,383,709
Total comprehensive loss for the year	—	—	—	55	(93,200)	(35,967)	(129,112)
Shares repurchased	—	—	(189,043)	—	—	—	(189,043)
Shares cancelled	(189,042)	—	189,043	—	—	—	1
Shares issued upon exercise of share options (note 34)	43,569	(26,860)	—	—	—	—	16,709
At 31 December 2021	4,077,545	144,545	—	(59,701)	(20,805)	(59,320)	4,082,264
Total comprehensive gain for the year	—	—	—	(70,982)	306,581	420,620	656,219
Shares repurchased	—	—	(711,321)	—	—	—	(711,321)
Shares cancelled	(475,674)	—	475,680	—	—	—	6
Final 2021 dividend	—	—	—	—	—	(417,140)	(417,140)
Shares issued upon exercise of share options (note 34)	439	14,445	—	—	—	—	14,884
At 31 December 2022	3,602,310	158,990	(235,641)	(130,683)	285,776	(55,840)	3,624,912

47. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 21 March 2023.