先声药业
Simcere

先聲藥業集團有限公司
Simcere Pharmaceutical Group Limited

(Incorporated in Hong Kong with limited liability)
Stock Code: 2096

ANNUAL REPORT 2022

Providing Today's Patients with
MEDICINES
of the **Future**

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. REN Jinsheng *(Chairman and Chief Executive Officer)*
Mr. TANG Renhong
Mr. WAN Yushan
Ms. WANG Xi[1]

NON-EXECUTIVE DIRECTOR

Mr. ZHAO John Huan[2]

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SONG Ruilin
Mr. WANG Jianguo
Mr. WANG Xinhua
Mr. SUNG Ka Woon[3]

AUDIT COMMITTEE

Mr. WANG Xinhua *(Chairman)*
Mr. SONG Ruilin
Mr. WANG Jianguo

REMUNERATION AND APPRAISAL COMMITTEE

Mr. WANG Jianguo *(Chairman)*
Mr. WANG Xinhua
Mr. REN Jinsheng
Mr. WAN Yushan[4]
Mr. SUNG Ka Woon[3]

NOMINATION COMMITTEE

Mr. SONG Ruilin *(Chairman)*
Mr. WANG Jianguo
Mr. REN Jinsheng
Mr. SUNG Ka Woon[3]
Ms. WANG Xi[1]

STRATEGY COMMITTEE

Mr. REN Jinsheng *(Chairman)*
Mr. ZHAO John Huan[2]
Mr. TANG Renhong[5]
Mr. WANG Jianguo

JOINT COMPANY SECRETARIES

Mr. WAN Yushan[4]
Ms. MAK Po Man Cherie *(Member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute UK (formerly known as The Institute of Chartered Secretaries and Administrators))*
Mr. BAO Jun[6]

AUTHORIZED REPRESENTATIVES

Mr. WAN Yushan
Mr. TANG Renhong[5]
Mr. BAO Jun[6]

Notes:

(1) Ms. WANG Xi has been appointed as an executive Director of the Company with effect from January 18, 2023, and has been appointed as a member of the Nomination Committee with effect from March 31, 2023.

(2) Mr. ZHAO John Huan resigned as a non-executive Director of the Company and a member of the Strategy Committee with effect from August 31, 2022.

(3) Mr. SUNG Ka Woon has been appointed as an independent non-executive Director of the Company with effect from January 18, 2023, and has been appointed as a member of the Remuneration and Appraisal Committee and the Nomination Committee with effect from March 31, 2023.

(4) Mr. WAN Yushan has been appointed as a Joint Company Secretary of the Company with effect from November 9, 2022, and has been appointed as a member of the Remuneration and Appraisal Committee with effect from March 31, 2023.

(5) Mr. TANG Renhong has been appointed as a member of the Strategy Committee with effect from August 31, 2022, and has been appointed as an Authorized Representative of the Company with effect from November 9, 2022.

(6) Mr. BAO Jun resigned as a Joint Company Secretary and an Authorized Representative of the Company with effect from November 9, 2022.

PRINCIPAL BANKS

Bank of China Limited
Nanjing Jiangbei New District Branch
No. 30, Wende Road
Pukou District, Nanjing
Jiangsu PRC

China Merchants Bank Co., Ltd.,
Nanjing Jiefang Road Sub-Branch
No. 53, Jiefang Street
Qinhuai District, Nanjing
Jiangsu PRC

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
8/F Prince's Building
10 Chater Road
Central, Hong Kong

LEGAL ADVISER

Tian Yuan Law Firm LLP
Suites 3304-3309
33/F, Jardine House
One Connaught Place
Central, Hong Kong

HONG KONG SHARE REGISTRAR

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

REGISTERED OFFICE

43/F, AIA Tower
183 Electric Road
North Point
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 699-18, Xuanwu Road
Xuanwu District, Nanjing
Jiangsu
PRC

COMPANY'S WEBSITE

http://www.simcere.com

PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited
2096

FINANCIAL HIGHLIGHTS

For the year ended December 31, 2022:

- Revenue of the Group was approximately RMB6,319 million, representing an increase of approximately 26.4% as compared to RMB5,000 million of 2021. Of which, revenue from the sales and promotion service of drugs amounted to RMB6,213 million and license income amounted to RMB106 million. The increase in revenue was mainly attributable to the rapid increase in revenue from the innovative pharmaceutical business.
- Revenue from the innovative pharmaceutical business was approximately RMB4,128 million, accounting for 65.3% of the total revenue and representing an increase of approximately 32.3% as compared to RMB3,120 million of 2021.
- Our revenue was mainly derived from the therapeutic areas where our businesses are focused. Of which, revenue from the field of nervous system was approximately RMB2,267 million, accounting for 35.9% of the total revenue and representing an increase of approximately 41.0% as compared to 2021. Revenue from the field of oncology was approximately RMB1,430 million, accounting for 22.6% of the total revenue and representing an increase of approximately 15.5% as compared to 2021. Revenue from the field of autoimmune was approximately RMB1,280 million, accounting for 20.2% of the total revenue and representing an increase of approximately 39.4% as compared to 2021. Revenue from other fields was approximately RMB1,342 million, accounting for 21.3% of the total revenue and representing an increase of approximately 8.6% as compared to 2021.
- Research and development expense was approximately RMB1,728 million, representing an increase of approximately RMB311 million or approximately 21.9% as compared to RMB1,417 million of 2021. The research and development expense to revenue ratio[1] was approximately 27.3% (approximately 28.3% for 2021).
- Profit for the year attributable to equity shareholders of the Company was approximately RMB933 million, representing a decrease of approximately RMB574 million or approximately 38.1% as compared to RMB1,507 million of 2021.
- Basic earnings per share was approximately RMB0.36, representing a decrease of approximately 37.9% as compared to RMB0.58 of 2021.
- Net cash generated from operating activities was approximately RMB1,355 million, while net cash outflow from operating activities for 2021 was approximately RMB202 million.

[1] Research and development expense divided by revenue

Simcere Pharmaceutical Group Limited (the "**Company**", together with its subsidiaries, the "**Group**", "**we**" or "**us**") is an innovation and R&D-driven pharmaceutical company with capabilities in R&D, production and professional marketing. The Group primarily focuses on the therapeutic areas of oncology, nervous system, autoimmune and anti-infection, with forward-looking layout of disease areas that have significant clinical needs in the future, aiming to achieve the corporate mission of "providing today's patients with medicines of the future".

The Group has 6 innovative drugs approved for marketing and sale (including 1 imported innovative drug). As of December 31, 2022, the Group has more than 10 products recommended in guidelines and pathways issued by over 100 government authorities or prestigious professional associations, and has over 40 products included in the National Reimbursement Drug List (the "**NRDL**").

The Group pays high attention to the establishment of innovative drug R&D capability, and has established R&D innovation centers in Shanghai, Nanjing, Beijing and Boston respectively as well as a State Key Laboratory of Neurology and Oncology Drug Development. The Group's R&D system has achieved functions covering the whole process of drug discovery, preclinical development, clinical trial and registration, and owns leading platforms of protein engineering, BsAb/TCE, PAb/NKCE and AI-aided drug discovery. As of the date of this report, the Group had a R&D team of approximately 1,100 employees in total with approximately 150 doctors and 520 masters.

The Group has a nationwide marketing network and leading commercialization capability, and will continuously strengthen our professional marketing capability, so as to enhance coverage and access to medicines. As of December 31, 2022, the Group's sales team had a total of approximately 5,000 employees divided into four business units (neuroscience, oncology, autoimmune & comprehensive and retail grossroots) and other support departments across 31 provinces, municipalities and autonomous regions, covering over 2,700 Class III hospitals, approximately 17,000 other hospitals and medical institutions as well as more than 200 large-scale national or regional chain pharmacies in China.

The Group has established manufacturing infrastructures and quality management systems in line with international standards and has continuously improved its manufacturing capabilities of pharmaceuticals. The 5 production facilities that have been put into use all meet the requirements of Chinese GMP, and part of the production lines have received EU GMP certification or the FDA inspection.

Driven by our in-house R&D efforts and synergistic innovation, the Group has established strategic cooperation partnerships with many innovative companies and research institutes, exploring multiple collaborative modes such as cooperative R&D and achievement transfer and continuously developing products that patients urgently need and have significant market potential. We established the Scientific Advisory Board (SAB) comprising over 10 world-renowned scientists in the areas of oncology, nervous system and autoimmune etc., so as to bring their professional capabilities and experiences to provide scientific advice for our early drug discovery and clinical development. Meanwhile, the Group has planned and implemented the "Simcere Project X", aiming to attract global leaders of life science to explore and create unprecedented treatments.

CHAIRMAN'S STATEMENT

Dear Shareholders,

Since the listing of Simcere in 2020, we have successfully moved 4 differentiated innovative drugs into commercialization stage in 3 years and the proportion of innovative drugs has been increasing, which fueled the turning point of our results. In 2022, the innovation and transformation of Simcere was still accelerating continuously, thus our business scale achieved a growth rate of 26.4% compared with 2021.

The "3+1" growth engine and differentiated innovative pipelines provide momentum for sustainable growth. As a blockbuster drug in the field of AIS, the market share of Sanbexin® has been soaring thanks to sufficient evidences and bases as well as excellent clinical efficacy, which drives the growth in our results. Thanks to its convenient subcutaneous injection method, the sales volume of ENWEIDA® has been expanding in a fast pace during its first year of launch and has benefited more than 20,000 patients with tumors. As a First-in-class drug and leveraging on its unique advantage in myeloprotection, COSELA® enjoys huge potential in commercialization. Phase III clinical data of XIANNUOXIN® is encouraging, which will accelerate the debut of domestic 3CL anti-COVID-19 drug.

Our efficient clinical operation and commercialization capability expedite the achievement of clinical values. The principle of "patient first" requests us not to be limited by the deployed sectors of oncology, nervous system and autoimmunity and pay particular attention to the major healthcare sectors that are closely related to national health, such as the anti-infection sector. Driven by our mission of "providing today's patients with medicines of the future", Simcere people cope with huge challenges posed by the pandemic and demonstrate our fighting and team spirit with a strong sense of mission, which have overcome difficulties to spend only 14 months to obtain quick approval of XIANNUOXIN®, which further demonstrated the execution ability of our R&D team.

Our continuous investment in R&D continues to enrich our product portfolios and our independent development pipelines are in good shape. We have preliminarily established self-administered pipelines at the early stage with global development potential and achieved license-out for the first time in 2022. Given that a number of small molecules, monoclonal antibodies and dual antibodies developed by our owned innovative R&D platform have been following to enter the stage of clinical studies and with the continuous improvement of platforms and mechanisms, we are focusing on world-class cutting-edge technologies and promote the development and registration of products around the globe by real actions.

The external environment and competition landscapes are ever-charging, as a result, Simcere will still face many challenges. We will leverage on our verified capabilities of R&D, pharmaceutical and commercialization, thus we are more confident of achieving sustainable growth in the future. Looking ahead to our future, Simcere will still invest heavily in R&D and insist on differentiation and effective product layouts, as well as to expand the talent pool which is externally-oriented, professional and diverse, so as to absorb world-leading experience and strive for achieving innovative development, thereby creating values to patients, Shareholders and the community continuously.

REN Jinsheng
Chairman and Chief Executive Officer
March 31, 2023

INDUSTRY REVIEW

In 2022, China's pharmaceutical industry continued to experience major changes. Under the policy level, various policies that stimulate innovation and accelerate approval were implemented, while it continuously deepened reforms with the focus on people's health needs: (1) various guiding principles led enterprises to develop with the focus on clinical values and patients' demands; (2) regulatory authorities greatly accelerated reviews and approvals, and more clinical urgently-needed innovative drugs were quickly approved and brought to patients by way of prioritized, special and conditional approvals; (3) the reduction in price of medical insurance drugs has slowed down due to dynamic adjustments, and the policies have inclined towards innovative drugs with higher clinical demands; and (4) real-world studies in medical pilot zones helped innovative drugs enter Chinese market expeditiously. From the industry perspective, under the dual impacts of capital market recession and the outbreak of the pandemic, enterprises were forced to evaluate risks and return more rationally and put emphasis on differentiation, as well as to avoid popular targets and the cluster of tracks, thereby rebalanced the industry development. Certain local pharmaceutical enterprises accelerated the deployment of overseas markets and those globally competitive new drugs began to show their ability of out-licensing and overseas development. Enterprises with R&D layouts more focusing on clinical values, established commercialization teams and virtuous cycles of input-output of innovative drugs are expected to access broader opportunities in the new development cycle.

KEY MILESTONES

As of the date of this report, leveraging on clear strategic planning and extraordinary execution skills, the Group has achieved following key milestones and achievements:

Commercialization

Innovative drugs that entered the commercialization stage increased to six. As of the date of this report, 2 new innovative drugs were approved for marketing in China, which created new business growth points.

- On July 12, 2022, COSELA® (Trilaciclib Hydrochloride for Injection) was conditionally approved for marketing by National Medical Products Administration of China (the "**NMPA**") for decreasing the incidence of chemotherapy-induced myelosuppression in patients when administered prior to a platinum/etoposide-containing regimen for extensive-stage small cell lung cancer ("**ES-SCLC**").
- On January 28, 2023, XIANNUOXIN® (Simnotrelvir Tablets/Ritonavir Tablets (co-packaged)) was conditionally approved for marketing by the NMPA with urgent review and approval under Special Examination and Approval of Drugs (藥品特別審批程序) for the treatment of adult patients infected with mild-to-moderate Coronavirus Disease 2019 ("**COVID-19**").

For the year ended December 31, 2022 (the "Reporting Period"), the proportion of the Group's revenue from innovative drugs had increased to 65.3%, hitting a record high as compared to 2021. Revenue from innovative drugs amounted to RMB4,128 million, representing an increase of approximately 32.3% as compared to RMB3,120 million of 2021. The revenue of innovative drugs Sanbexin® and ENWEIDA® has been growing rapidly.

- Sanbexin® (Edaravone and Dexborneol Concentrated Solution for Injection) drove the revenue from and sales of nervous system products to record significant year-to-year growth, which further consolidated our leading market position in such area. Sanbexin® has benefited approximately 880,000 patients during the Reporting Period and covers approximately 3,440 medical institutions currently. In January 2023, Sanbexin® was successfully renewed in the National Reimbursement Drug List (the "**NRDL**").
- The revenue contribution achieved by ENWEIDA® (Envafolimab Injection) in the first full year after its launch further verified our commercialization capability. As the first PD-(L)1 antibody drug to be administered by subcutaneous injection in the world and the first domestic PD-L1 antibody drug, ENWEIDA® has benefited approximately 20,000 patients during the Reporting Period by leveraging on its differentiated treatment advantages.

Research and Development

The Group attaches great importance and devotes to the R&D of innovative drugs. Guided by clinical values, the Group focuses on higher efficiency and adheres to differentiation. The innovative drugs R&D pipelines with continuous progress gather momentum for sustainable growth of the Company's development.

- As of the date of this report, the Group has nearly 60 product pipelines of innovative drugs and is currently initiating registrational clinical studies for 17 innovative drugs, including 5 marketed innovative drugs (commenced clinical studies like new indications or combined use), 2 drug candidates that are in NDA/pivotal trial stage, 10 drug candidates that are in phase I/II and approximately 40 pre-clinical drug candidates.
- During the Reporting Period, the Group has added 6 new PCC[1] molecules and 6 INDs[2], completed 11 FPIs/FIHs[3] and 7 LPIs[4], and its clinical projects have enrolled over 2,600 subjects.

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1 Preclinical Candidate Compounds (PCC)

2 A total of 6 approved Investigational New Drug (IND) applications, namely SIM0235 (TNFR2, advanced solid tumor and CTCL, January 29, the United States), SIM0408 (QPCT, Alzheimer's disease, February 24), SIM0272 (PRMT5, tumor, March 22), XIANNUOXIN® (3CL, Mild-to-Moderate COVID-19, March 28; close contact prevention of COVID-19, May 13), SIM0237 (PD-L1/IL15v, advanced solid tumor, October 27, the United States; December 27, China) and SIM0348 (TIGIT/PVRIG, advanced solid tumor, December 29), respectively

3 Completed clinical the first-in-human trial ("**FIH**") for 4 trials in total, namely SIM0235 (TNFR2, solid tumors, March 16), XIANNUOXIN® (3CL, healthy person, April 10), SIM0270 (SERD, breast cancer, May 18), SIM0272 (PRMT5, tumors, June 27), respectively; completed FPI for 7 trials in total, namely COSELA® (CDK4/6, TNBC phase III, January 7), XIANNUOXIN® (3CL, COVID-19 phase Ib, May 14), SIM0335 (IL-17A related passways, psoriasis phase IIa, May 27), XIANNUOXIN® (3CL, COVID-19 phase II, June 13), docetaxel polymeric micelles for injection (tubulin inhibitor, solid tumors phase II, June 23), XIANNUOXIN® (3CL, phase III of COVID-19, August 19), SIM0235 (TNFR2, solid tumor, October 31, the United States), respectively

4 Completed last patient enrollment ("**LPI**") for 7 trials in total, namely Iremod® (phase II of Sjögren's Syndrome, January 20), Sanbexin sublingual tablets (phase III of AIS, May 4), XIANNUOXIN® (3CL, phase I of COVID-19, May 25), COSELA® (CDK4/6, phase III of CRC, June 13, China), XIANNUOXIN® (3CL, phase Ib of COVID-19, July 23), COSELA® (CDK4/6, phase III of TNBC, August 2, China), XIANNUOXIN® (3CL, phase III of COVID-19, December 16), respectively

We have been promoting the development progress of various innovative drugs in pivotal trial stage. As of the date of this report, 3 phase III clinical trials under research had met the primary endpoints and 2 of them had supported successful product launches.

- On February 23, 2022, the phase III clinical trial (TRACES study) of COSELA® (Trilaciclib Hydrochloride for Injection) for the treatment of ES-SCLC patients pertaining to the protection of existing bone marrow met its primary endpoint. The results of such study was disclosed at the World Conference on Lung Cancer ("**WCLC**") in July 2022.
- On December 1, 2022, the phase III clinical study of Sanbexin sublingual tablets for the treatment of Acute Ischemic Stroke ("**AIS**") achieved expected efficacy endpoints. The results showed that Sanbexin sublingual tablets have a good safety profile and can significantly improve the recovery of neurological function and ability to live independently following treatment in AIS patients. The detailed results will be published in medical conferences/academic journals. On December 24, 2022, the Company submitted the pre-NDA application of such drug.
- On January 6, 2023, the phase III clinical study of XIANNUOXIN® for the treatment of adult patients infected with mild-to-moderate COVID-19 met the primary efficacy endpoints. Such study was so far the first phase III registrational clinical study for Chinese patient population infected with the SARS-CoV-2 Omicron variants that has completed the planned number of patient enrollment, and was designed in accordance with international guidance and was the first phase III registrational clinical study worldwide which has met the primary endpoint as time to sustained recovery of 11 symptoms. The detailed results will be published in medical conferences/academic journals.

We establish efficient teams for clinical operation and registration, in order to facilitate the global R&D of product pipelines under research and expedite the achievement of innovation value.

- Speed of various projects' execution set new industry records: COSELA® only spent 708 days from signing contract to obtain interests in China on August 3, 2020 to obtaining conditional approval for marketing by the ES-SCLC indication. The phase III clinical study of Sanbexin sublingual tablets only spent 10 months to complete the enrollment of all 914 patients. XIANNUOXIN® only spent 437 days from signing contracts (pre-clinical candidates) on November 17, 2021 to obtaining conditional approval for marketing.
- Overseas deployment achieved substantial progress: We are initiating or preparing to initiate clinical studies for 3 innovative drug candidates outside China, including Sanbexin sublingual tablets, SIM0235 (TNFR2) and SIM0237 (anti-PD-L1/IL15v bispecific antibody).

Business Development

SIM0278, an independently-developed drug candidate, has finished a license-out deal, which achieved zero breakthrough.

- On September 28, 2022, the Group entered into a license-out agreement with Almirall S.A. ("**Almirall**"), an international biopharmaceutical company, to license out SIM0278 (IL-2muFc), which was developed in-house by utilizing the Group's protein engineering platform. Under the agreement, the Group granted Almirall an exclusive right to develop and commercialize SIM0278 outside the Greater China region. The Group received a US$15 million upfront payment and may receive up to US$492 million in development and commercial milestone payments contingent on successful milestone achievements in several indications, with an important part as sales milestones, as well as up to low double-digit tiered royalties based upon future overseas sales.

We achieved a number of strategic cooperations, so as to enlarge our product pipelines and the coverage of disease areas.

- On March 18, 2022, the Group entered into a cooperation agreement with Lynk Pharmaceuticals Co., Ltd., pursuant to which, the Group obtained the exclusive commercial promotion right of highly selective JAK1 inhibitor for rheumatoid arthritis and ankylosing spondylitis indications in China.
- On April 20, 2022, the Group reached strategic cooperation with Neurodawn Pharmaceutical Co., Ltd.(南京寧丹新藥技術有限公司) ("**Neurodawn**") in respect of the overseas interests of Sanbexin sublingual tablets, and the Group intended to initiate clinical studies and commercialization of Sanbexin sublingual tablets outside China.
- On November 15, 2022, the Group entered an exclusive license agreement with Idorsia Pharmaceuticals Ltd. ("**Idorsia**") for the insomnia drug Daridorexant, a dual orexin receptor antagonist. Under the agreement, the Group was granted an exclusive right to develop and commercialize Daridorexant in the Greater China region. Daridorexant has been approved by the U.S. FDA and the Medicines and Healthcare products Regulatory Agency (MHRA) in Great Britain for marketing in the United States and European Union previously.
- During the Reporting Period, we entered into an agreement with HeMo Bioengineering Limited in respect of the commercialization of neuro-intervention products like Afentta® aspiration catheters, which further expanded the business layout of the neuroscience sector.

Manufacturing

The Group improves our production capability and efficiency continuously, so as to adapt to the expanding businesses and strengthen our market competitiveness.

- Application for manufacturing COSELA® in China was progressing well: On January 13, 2023, the supplementary application was submitted, so as to transfer the commercial production to domestic manufacturing facilities as soon as possible.
- As of the date of this report, projects under construction, including new manufacturing facilities of Jiangsu Xiansheng Biology Medical Co., Ltd (江蘇先盛生物醫藥有限公司) (a pharmaceutical ingredient base) and Shandong Simcere Biopharmaceutical Co., Ltd. (山東先聲生物製藥有限公司) are progressing well.

BUSINESS PROSPECTS

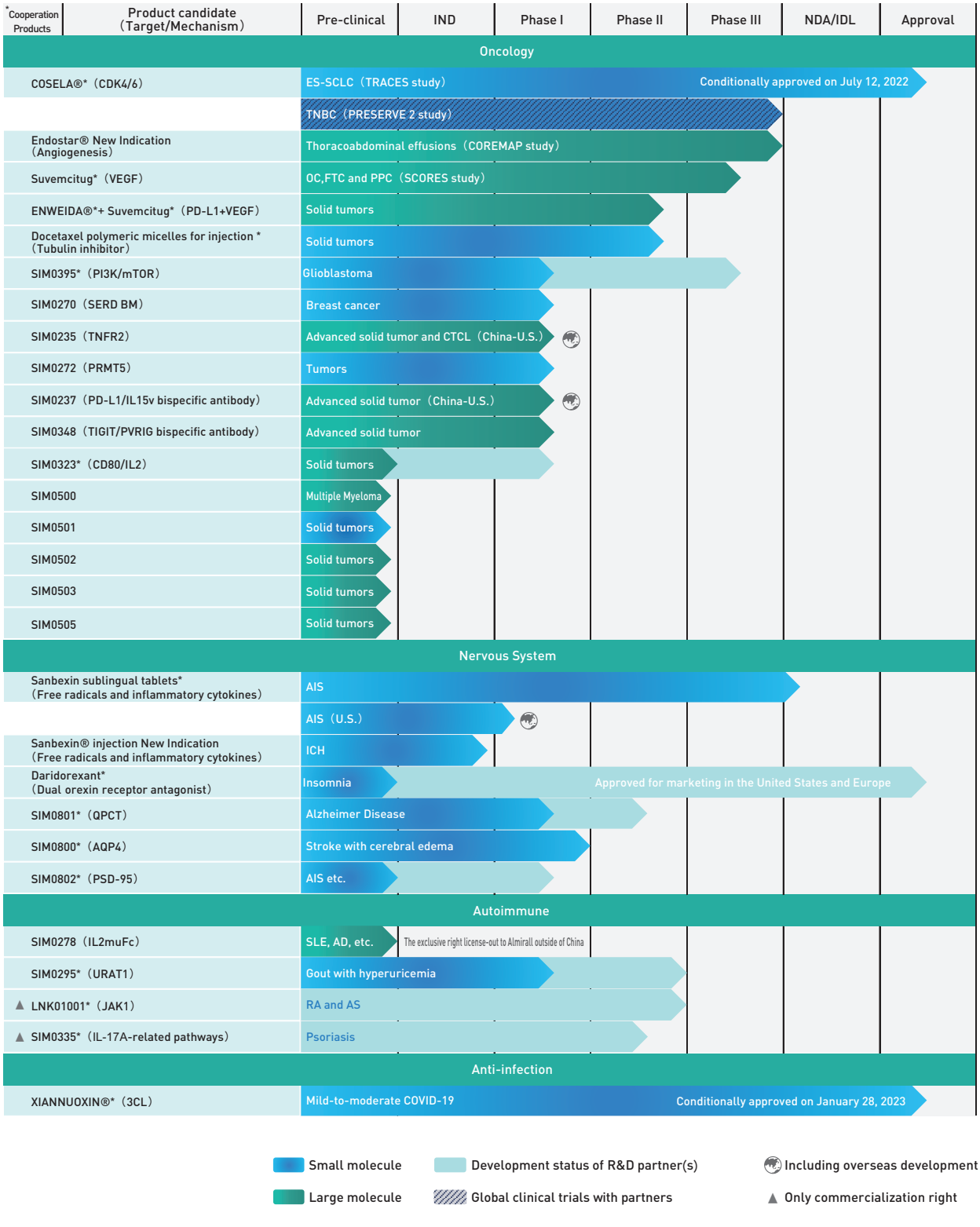
Leveraging on the ongoing development of late-stage pipelines and mature commercialization capability, we predict that 2023 will still be a year of newly-launched products having continuous harvests and also a key year for the further exploration of internationalized development. We will insist on executing the following management objectives:

- Strengthening commercialization capability, so as to boost differentiated innovative drugs (Sanbexin®, ENWEIDA® and COSELA®) to achieve high growth continuously. We will explore the registration and marketing of our products in overseas markets (including countries under the "Belt and Road Initiative"). We emphasize the multi-channel development of drug types outside hospitals and advance the establishment of digital marketing capability. Our products will cover more medical institutions and benefit more patients, so as to enhance the accessibility of marketed products continuously.
- We will continue to increase investment in R&D and expedite the execution of our projects under research. We will facilitate independent development candidates with the potential of FIC/BIC to enter clinical trial or POC study (such as TNFR2, SERD and PRMT5). We will accelerate the development of late-stage products (such as Sanbexin sublingual tablets and Suvemcitug) and the researches on new indications and combination of marketed products (such as COSELA® and new indications of Sanbexin®). We will enhance overseas clinical studies as well.
- We will adhere to synergistic innovation and accelerate business development cooperation. We will pay attention to late-stage products with huge clinical demands and carry out efficient searching of assessments and transactions. We will actively explore licensing opportunities of the overseas interests of pipelines at the early stage. We will deepen and initiate the synergistic and innovative cooperation with the Chinese and global leading research institutes and promote communications and cooperations with internal and external parties, thereby achieving excellent alliance management.
- We will produce more safe, efficacious and high quality pharmaceutical products for patients and accelerate the change of XIANNUOXIN® from conditional approval to full approval so as to help speed up the recovery of social and economic life affected by the pandemic.
- We will improve our organizational capability and continue to increase the talent density. We will achieve clear strategies, focused on management and accurate resources in the level of disease areas, and we will explore more efficient and more constructive innovative development paths.

SUMMARY OF PRODUCT PIPELINES

As of the date of this report, the Group has nearly 60 product pipelines of innovative drugs and is currently initiating registrational clinical studies for 17 innovative drugs, including 5 marketed innovative drugs (commenced clinical studies like new indications or combined use), 2 drug candidates that are in NDA/pivotal trial stage, 10 drug candidates that are in phase I/II and approximately 40 pre-clinical drug candidates. The forms of innovative drugs under development contain monoclonal antibodies, bispecific antibodies, multi-specific antibodies, fusion proteins, ADC and small molecule drugs. The extensive pipeline reserves have huge clinical and commercialization potential, which are expected to help more patients.

The table below summarizes the therapeutic targets, therapeutic areas, rights and development of our principal innovative drugs as of the date of this report.


*Cooperation Products
Product candidate (Target/Mechanism)
Pre-clinical
IND
Phase I
Phase II
Phase III
NDA/IDL
Approval
Oncology
COSELA®* (CDK4/6)
ES-SCLC (TRACES study)
Conditionally approved on July 12, 2022
TNBC (PRESERVE 2 study)
Endostar® New Indication (Angiogenesis)
Thoracoabdominal effusions (COREMAP study)
Suvemcitug* (VEGF)
OC,FTC and PPC (SCORES study)
ENWEIDA®*+ Suvemcitug* (PD-L1+VEGF)
Solid tumors
Docetaxel polymeric micelles for injection * (Tubulin inhibitor)
Solid tumors
SIM0395* (PI3K/mTOR)
Glioblastoma
SIM0270 (SERD BM)
Breast cancer
SIM0235 (TNFR2)
Advanced solid tumor and CTCL (China-U.S.)
SIM0272 (PRMT5)
Tumors
SIM0237 (PD-L1/IL15v bispecific antibody)
Advanced solid tumor (China-U.S.)
SIM0348 (TIGIT/PVRIG bispecific antibody)
Advanced solid tumor
SIM0323* (CD80/IL2)
Solid tumors
SIM0500
Multiple Myeloma
SIM0501
Solid tumors
SIM0502
Solid tumors
SIM0503
Solid tumors
SIM0505
Solid tumors
Nervous System
Sanbexin sublingual tablets* (Free radicals and inflammatory cytokines)
AIS
AIS (U.S.)
Sanbexin® injection New Indication (Free radicals and inflammatory cytokines)
ICH
Daridorexant* (Dual orexin receptor antagonist)
Insomnia
Approved for marketing in the United States and Europe
SIM0801* (QPCT)
Alzheimer Disease
SIM0800* (AQP4)
Stroke with cerebral edema
SIM0802* (PSD-95)
AIS etc.
Autoimmune
SIM0278 (IL2muFc)
SLE, AD, etc.
The exclusive right license-out to Almirall outside of China
SIM0295* (URAT1)
Gout with hyperuricemia
▲ LNK01001* (JAK1)
RA and AS
▲ SIM0335* (IL-17A-related pathways)
Psoriasis
Anti-infection
XIANNUOXIN®* (3CL)
Mild-to-moderate COVID-19
Conditionally approved on January 28, 2023
Small molecule
Large molecule
Development status of R&D partner(s)
Global clinical trials with partners
Including overseas development
▲ Only commercialization right

COMMERCIALIZATION STAGE INNOVATIVE PRODUCTS

As of the date of this report, we have successfully expanded our commercialized portfolio into six[1] innovative products spanning over multiple therapeutic areas, including nervous system, oncology, autoimmune and anti-infection, which have significant market potentials and synergistic effects. In 2022, revenue from the innovative pharmaceutical business was approximately RMB4,128 million, accounting for 65.3% of the total revenue and representing an increase of approximately 32.3% as compared to RMB3,120 million of 2021. Benefiting from the rapid increase in revenue from the innovative pharmaceutical business, during the Reporting Period, revenue of the Group was approximately RMB6,319 million, representing an increase of approximately 26.4% as compared to RMB5,000 million of 2021. Leveraging on the advantage of products' clinical efficacy as well as the professional and efficient commercialization team, we are confident of the stable growth of revenue from products. In the future, the Group will remain dedicated to market innovative drugs with higher efficacy continuously, so as to fulfill the unmet demands of patients.

[1] Bristol Myers Squibb (BMS) and the Group have mutually decided to terminate the licensing and supply agreement for Orencia® in China.

Nervous System Products

Sanbexin® (Edaravone and Dexborneol Concentrated Solution for Injection)

Sanbexin® is a category I innovative drug developed by the Group with proprietary intellectual property right used to treat Acute Ischemic Stroke (AIS). Sanbexin® was approved for marketing in China in July 2020 and has been included in the NRDL since December 2020. The results of phase III pivotal clinical TASTE study of Sanbexin®, which are published in STROKE, an international authoritative medicine journal, indicated that, Sanbexin® can significantly increase the proportion of patients with a mRS score of 0-1 after 90 days of treatment of patients, i.e. reduce the proportion of patients disabled by AIS. Sanbexin® was recommended by the Specialists' Consensus on the Clinical Assessment and Treatment of Acute Cerebral Infarction Ischemic Penumbra in China (《急性腦梗死缺血半暗帶臨床評估和治療中國專家共識》) and the Guidelines on Establishment of Stroke Prevention and Treatment System (《腦卒中防治體系建設指導規範》) and other guidelines and consensuses, and multiple relevant studies were presented at the European Stroke Organization Conference (ESOC), the scientific meeting of the American Heart Association (AHA) Hypertension Council and the World Congress of Neurology (WCN).

- The TASTE II study, led by Beijing Tiantan Hospital of the Capital Medical University with the participation of approximately 100 research centers in China, was progressing well. Such study aimed at evaluating the efficacy and safety of Sanbexin® combined with reperfusion in the treatment of AIS patients. On March 21, 2022, such study completed the First-Patient-In ("**FPI**"). As of the date of this report, the enrollment of more than 1,300 AIS patients within 24 hours of onset and undergone early endovascular recanalization therapy was completed.
- In May 2022, Sanbexin® was recommended by the 2022 Guidelines on Establishment of Stroke Prevention and Treatment System (《腦卒中防治體系建設指導規範(2022版)》) (Level IIa recommendation, level A evidence). The recommended contents are: Edaravone and dexborneol block the cerebral ischemia cascade through multiple targets such as free radical scavenging, inflammation resistance, glutamate excitotoxicity resistance and mitochondria protection. It can significantly improve the functional outcomes of patients with Ischemic Stroke, and is safe for clinical use, providing a new and more effective clinical treatment for AIS.
- In May 2022, a research result published at the 8th European Stroke Organization Conference (ESOC) indicated that whether thrombolysis treatment is received or not, Sanbexin® significantly lowers the inflammatory factor level of AIS patients and improves nervous functions, for which the improvement made by the treatment group of Sanbexin® combined with thrombolytic drugs is the most distinct.
- Sanbexin® has benefited approximately 880,000 patients during the Reporting Period and covers approximately 3,440 medical institutions currently. In January 2023, Sanbexin® was successfully renewed in the NRDL.
- On February 8, 2023, the Group's application of IND for treatment of hemorrhagic stroke by Sanbexin® was accepted by CDE and it was expected to initiate the clinical trial of such indication in 2023.

Oncology Products

Endostar® (Recombinant Human Endostatin Injection)

Endostar® is the first anti-angiogenic targeted drug in China and the only endostatin approved for sale worldwide. Endostar® has been included in the NRDL since 2017 and is recommended as a first-line treatment for patients with advanced non-small-cell lung cancer ("**NSCLC**") by a number of oncology clinical practice guidelines issued by the National Health Commission of the PRC ("**NHC**"), Chinese Medical Association (中華醫學會) and Chinese Society of Clinical Oncology ("**CSCO**"). Also, it is recommended by various guidelines in relation to nasopharyngeal carcinoma, melanoma, esophageal carcinoma and osteosarcoma. At present, the Group is actively exploring the expansion of new indications of this product in thoracoabdominal effusions.

- On July 28, 2022, COREMAP study, a randomized, controlled and double-blinded multi-center phase III clinical trial of intracavitary injection with Endostar® in combination with Cisplatin versus Placebo in combination with Cisplatin for the treatment of malignant thoracoabdominal effusions, completed the FPI, which was led by Shanghai East Hospital and participated by more than 70 research centers across China. As of the date of this report, the COREMAP study has enrolled 328 patients.
- In June 2022, the American Society of Clinical Oncology (ASCO) published 3 important research results about Endostar® at its 58th annual meeting in the form of online abstracts and posters, including three days intravenous infusion of Endostar® in combination with PD-1 monoclonal antibody and chemotherapy for the first-line treatment of EGFR/ALK-negative advanced non-squamous NSCLC, Endostar® in combination with whole brain radiotherapy for the treatment of NSCLC brain metastasis patients, and Endostar® in combination with radiotherapy for the treatment of low-risk locally advanced nasopharyngeal carcinoma.
- On August 6, 2022, a multi-center retrospective study of Endostar® in combination with Camrelizumab and chemotherapy for the treatment of advanced NSCLC was presented at the 2022 WCLC meeting.
- In November 2022, 2 study results of Endostar® were announced at the annual meeting of CSCO, and the data were mainly about advanced NSCLC.
- In December 2022, Endostar® was recommended by the 2022 Guidelines on Radiotherapy of Esophageal Cancer (《中國食管癌放射治療指南(2022年版)》) again (Level II recommendation, Class 2B evidence).
- In December 2022, as recommended by the "Guidelines for the Clinical Application of New Anti-tumor Drugs (2022 edition)" (《新型抗腫瘤藥物臨床應用指導原則(2022年版)》) issued by the NHC, except administration by sequential intravenous infusions for 14 days, the clinical practice of Endostar can also apply 210mg continuous intravenous infusion for 72 hours or 120 hours.

ENWEIDA® (Envafolimab Injection)

ENWEIDA® is a single domain antibody against recombinant humanized PD-L1 and a protein fused with Fc, which was conditionally approved to marketing in China by the NMPA on November 25, 2021. ENWEIDA® is the world's first PD-(L)1 antibody to be administered by subcutaneous injection approved for marketing. Its unique method of injection differentiates itself from other PD-(L)1 products currently on the market, with the differentiation advantages of short administration time and good safety. On March 30, 2020, the Group entered into a tripartite cooperation agreement in relation to Envafolimab with 3D (Beijing) Medicines Inc. and Jiangsu Alphamab Biopharmaceuticals Co., Ltd.. The above-mentioned agreement provides the Group with the exclusive right to promote Envafolimab for all oncology indications and the right of first refusal of external licensing or assignment in mainland China.

- In April 2022, ENWEIDA® was firstly included in three CSCO important guidelines: CSCO Diagnosis and Treatment Guidelines for Gastric Cancer 2022 (《CSCO胃癌診療指南2022版》) (Level I recommendation, Class 2A evidence); CSCO Diagnosis and Treatment Guidelines for Colorectal Cancer 2022 (《CSCO結直腸癌診療指南2022版》) (Level II recommendation, Class 2A evidence); CSCO Immune Checkpoints Guidelines for Clinical Use of Inhibitors (《CSCO免疫檢查點抑制劑臨床應用指南2022版》) (Level I recommendation, Class 2A evidence) for recommendation.
- In October and November 2022, ENWEIDA® was newly included in three CSCO guidelines for gynecologic tumor: CSCO Diagnosis and Treatment Guidelines for Endometrial Carcinoma 2022 (《CSCO子宮內膜癌診療指南2022版》) (Level II recommendation); CSCO Diagnosis and Treatment Guidelines for Cervical Cancer 2022 (《CSCO宮頸癌診療指南2022版》) (Level II recommendation); CSCO Diagnosis and Treatment Guidelines for Ovarian Cancer 2022 (Level III recommendation, Class 2B evidence).
- In November 2022, four study results of ENWEIDA® were announced at the annual meeting of the Chinese Society of Clinical Oncology (CSCO), which involved ES-SCLC, microsatellite stable (MSS) colorectal cancer (CRC), NSCLC, renal cell carcinoma (RCC), gastric cancer, esophageal cancer and other tumors.
- In December 2022, ENWEIDA® was included in the China Esophagus Cancer Radiotherapy Guidelines 2022 (《中國食管癌放射治療指南(2022年版)》). The Guidelines mentioned that, phase II/III clinical studies of various PD-1/PD-L1 antibodies (including Envafolimab) plus concurrent chemoradiotherapy for locally advanced inoperable esophageal squamous cell carcinoma are ongoing, which initially demonstrated the efficacy and safety of radiotherapy in combination with immunotherapy.

- On March 9, 2022, the multiple-cohort and multicenter phase II clinical trial led by the Group on the efficacy and safety of Suvemcitug in combination with Envafolimab with or without chemotherapy for the treatment of patients with advanced solid tumors completed the planned enrollment targets and enrolled 86 subjects in total.

Under the guidance of 7 authoritative guidelines and clinical evidence-based evidences, ENWEIDA® is expected to benefit more patients. In the future, Envafolimab will make progress in the treatment of more tumor types and may be recommended by the treatment guidelines of more tumor types (including liver cancer), so as to benefit more patients with tumors.

COSELA® (Trilaciclib Hydrochloride for Injection)

COSELA® is an effective, selective and reversiblecycl in-dependent kinases 4 and 6 (CDK4/6) inhibitor. COSELA® is the world's first-in-class comprehensive myeloprotection innovative drug that can de-administered prior to a chemotherapy and transiently retard hematopoietic stem cells and progenitor cells in G1 phase of cell cycle, thereby protect bone marrow cells from damage caused by cytotoxic chemotherapy. In August 2020, the Group entered into the exclusive license agreement with G1 Therapeutics, Inc. ("**G1 Therapeutics**") to develop and commercialize Trilaciclib Hydrochloride for Injection in the Greater China region. On February 13, 2021, the product was approved for sale by the U.S. FDA. Currently, the product has been recommended by the related key guidelines of National Comprehensive Cancer Network Guidelines ("**NCCN**"), CSCO and other organizations.

- On February 23, 2022, it was announced that COSELA® had reached the primary endpoint for the randomized, double-blind, placebo-controlled and multi-center phase III clinical trial (TRACES study) evaluating the safety, efficacy, and pharmacokinetics of Trilaciclib Hydrochloride for Injection in ES-SCLC patients who are receiving carboplatin in combination with etoposide or topotecan treatment.
- On July 12, 2022, COSELA® was conditionally approved for marketing by the NMPA with an indication label of decreasing the incidence of chemotherapy-induced myelosuppression in adult patients when administered prior to a platinum/etoposide-containing regimen for ES-SCLC. This approval for the marketing of COSELA® is based on the data of the safety introduction stage of the TRACES study, the data of the real-world study (Trila-CN-RWS-001 study) in the International Medical Tourism Pilot Zone, Boao Hope City, Hainan Free Trade Port, China, and the previous overseas clinical trial data from G1 Therapeutics.

- In July 2022, the main results of the phase III TRACES study were presented at the WCLC on December 29, 2021: compared with placebo, COSELA® administered before chemotherapy in Chinese patients resulted in a significant decrease in the duration of severe neutropenia in Cycle 1 (0 day vs 2 days; *P*=0.0003). In addition, COSELA® also significantly decreased the occurrence of severe neutropenia (SN, 7.3% vs 45.2%, *P*←0.0001), febrile neutropenia (FN, 2.4% vs 16.7%, *P*=0.0267) and grade 3/4 hematologic toxicity (53.7% vs 88.1%, *P*=0.0005). In terms of safety, among the patients using COSELA®, all other treatment emergent adverse events (TEAE) were lower than those of the placebo control except for a slight increase in hypertriglyceridemia and γ-glutamyl transferase. Compared with placebo, there are fewer grade ↗3 adverse events using COSELA® (61.0% vs 88.1%), primarily due to the lower incidence of hematological grade ↗3 adverse events (53.7% vs 88.1%).

In addition to the ES-SCLC indications above, COSELA® was also investigated in two phase III clinical trials for metastatic colorectal cancer ("**mCRC**") and triple-negative breast cancer ("**TNBC**"). The Group was responsible for the planning of these two MRCTs in China.

- An international multi-center phase III clinical trial of COSELA® for mCRC with FOLFOXIRI/bevacizumab (PRESERVE1 Study): In March 2022, as part of the global clinical study, 10 research centers in China completed enrollment of all 53 Chinese patients. On February 13, 2023, G1 Therapeutics announced that the PRESERVE1 study met its primary endpoint in that COSELA® significantly decreased the occurrence of severe neutropenia. However, the ORR showed the placebo group showed a more pronounced outcome and thus G1 Therapeutics decided to stop such study.
- An international multi-center phase III clinical trial of COSELA® for TNBC with gemcitabine and carboplatin (PRESERVE2 study). On January 7, 2022, the Group completed the FPI for this trial in China. On August 2, 2022, the clinical trial completed an enrollment of 38 cases in total in China.

Autoimmune Products

Iremod® (Iguratimod Tablets)

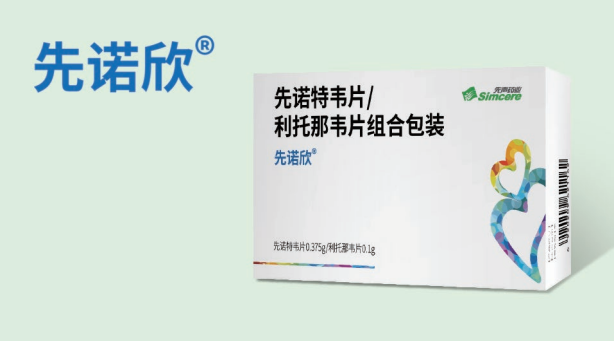
Iremod® is the category 1.1 new drug independently developed by the Group, and also the first Iguratimod pharmaceutical product approved for marketing in the world. Iremod® has been included in the National Medical Insurance Catalogue (B-List) since 2017. The indication is the active rheumatoid arthritis. Since it launched in 2012, Iremod® has benefited over 1 million patients (persons) in China. Iremod® is recommended as the primary therapy drug for the treatment of active rheumatoid arthritis by a number of clinical practice guidelines and pathways issued by the NHC, Chinese Medical Association, Asia Pacific League of Associations for Rheumatology and Labor and Welfare of Japan.

- On January 20, 2022, the phase II clinical trial of Iremod® in the treatment of active Primary Sjögren's Syndrome enrolled all 144 subjects.
- In January 2022, the Rheumatoid Arthritis Diagnosis and Treatment Standards (《類風濕關節炎診療規範》) officially released recommended iguratimod among the conventional synthetic disease modifying antirheumatic drugs (csDMARDs).
- In June 2022, two important studies on Iremod® were selected for the posters of the annual meeting of the European League Against Rheumatism (EULAR). One exploratory study on the mechanism of treating rheumatoid arthritisrelated interstitial lung disease shows that: The results from randomly dividing the mouse pulmonary fibrosis model into control group and treatment group with different concentrations, indicate that iguratimod could improve pulmonary fibrosis by inhibiting the initiation of EMT process and NLRP3 inflammasome activation, as well as reducing ROS production, which provides new insights for further application of iguratimod in interstitial pulmonary fibrosis. Another claims-based algorithms retrospective real-world study to evaluate the cost-effectiveness of iguratimod among patients with rheumatoid arthritis shows that: This proves that iguratimod combined with methotrexate for the treatment of rheumatoid arthritis patients is a strategy with both curative effect and economic cost.
- In December 2022, during the annual meeting of Asia-Pacific League of Associations for Rheumatology (APLAR), a real-world evidence of Iremod® treating lupus nephritis (LN) was published. The evidence showed that Iremod® was expected to be a new treatment option for LN patients.

Anti-infection Products

XIANNUOXIN® (Simnotrelvir Tablets/Ritonavir Tablets (co-packaged))

XIANNUOXIN® is the first domestic 3CL small molecule anti-SARS-CoV-2 innovative drug with independent intellectual rights in China, of which, Simnotrelvir targets 3CL protease which is essential for SARS-CoV-2 virus replication, and its combination with low-dose Ritonavir helps to slow down the metabolism or breakdown of Simnotrelvir in body in order to improve the antiviral effect.



To fight against the COVID-19 pandemic and help more patients, with the professional guidance and support of regulatory authorities, the Group spared no efforts in the development and supply upholding of XIANNUOXIN®. It took only 437 days for XIANNUOXIN® from signing contracts (pre-clinical candidates) on November 17, 2021 to obtaining conditional approval for marketing by the NMPA on January 28, 2023. The Group immediately started the production process after being approved and completed all process rapidly, and it took 12 days to complete the production and launch. To guarantee timely medication of COVID-19 patients, especially people are at risk of disease progression, within the "golden 72 hours", we have dedicated resources and teams to help localities to ensure the supply of medical materials, so as to accelerate the admission into hospitals and strive to enhance product accessibility. The major milestones and clinical data of XIANNUOXIN® are listed below:

Pre-clinical stage:

- On November 17, 2021, the Group entered into a technology transfer contract with the Shanghai Institute of Materia Medica of Chinese Academy of Sciences and Wuhan Institute of Virology, pursuant to which, the Group obtained development, production and commercialization rights on an exclusive basis of Simnotrelvir worldwide.
- Preclinical animal trial indicated that Simnotrelvir showed potent, broad-spectrum anti-SARS-CoV-2 activity with no genotoxicity observed.

Clinical stage:

- On March 28, 2022, XIANNUOXIN® obtained the Clinical Trial Approval for drugs issued by the NMPA for the initiation of series clinical trials regarding the treatment of mild-to-moderate COVID-19 infection.
- Phase I clinical trial: On April 10, 2022, the FPI for the phase I clinical trial for safety, tolerability and pharmacokinetics of XIANNUOXIN® among health adult subjects after single/multiple dose administrations was completed at Shandong Provincial Qianfoshan Hospital. On June 1, 2022, such study completed the enrollment of all patients and in-hospital observation.

- Phase Ib clinical trial: On July 23, 2022, the phase Ib clinical trial for adults with COVID-19 infection completed the medication of all patients in the Third People's Hospital of Shenzhen, and follow-up observation of all patients was completed. The results of the clinical trial showed that XIANNUOXIN® has shown positive effects on viral load, negative turning time and elimination of COVID-19-related symptoms.
- Phase II/III clinical trial: On August 19, 2022, the phase III clinical trial XIANNUOXIN® enrolled the first patient in Sanya Central Hospital (Hainan Third People's Hospital). On December 16, 2022, enrollment of all 1,208 patients was completed. Such study has established a total of 43 clinical research centers in 20 provinces, municipalities and autonomous regions in China. Such study is so far the first phase III registrational clinical study for Chinese patient population infected with the SARS-CoV-2 Omicron variants that has completed the planned number of patient enrollment. Such study was designed in accordance with international guidance and was the first phase III registrational clinical study worldwide which has met the primary endpoint as time to sustained recovery of 11 symptoms.

The results of phase II/III clinical trial showed that XIANNUOXIN® was effective in accelerating recovery from symptoms and shortening the duration of disease compared to placebo: a significant reduction of the time to first occurrence of sustained recovery of 11 target COVID-19 symptoms by approximately 1.5 days, with a significant reduction of approximately 2.4 days for the subgroup population with at least one high risk factor for progression to severe COVID-19, while the data suggest superior efficacy of XIANNUOXIN® with early use. XIANNUOXIN® also demonstrates significant antiviral effects: viral load reduced rapidly and significantly after dosing; viral load reduced up to over 96% (treatment difference in change from baseline 1.43 $\log_{10}$ copies/mL) compared to placebo on day 5 after dosing; and nucleic acid conversion time shortened by approximately 2.2 days. Safety data show that XIANNUOXIN® is safe and well tolerated for Chinese patients infected with mild-to-moderate COVID-19. Detailed data of such study are expected to be released in academic journals or conferences in the future.

NDA/PIVOTAL TRIAL STAGE DRUG CANDIDATES

Sanbexin sublingual tablets

Sanbexin sublingual tablets are solid formulations absorbed by the sublingual mucous membrane containing edaravone and dexborneol, which can disintegrate quickly under the tongue and absorb into the blood through the sublingual venous plexus, inhibit inflammations and prevent free radicals, thus minimizing neuronal damage caused by AIS. Such unique dosage form is expected to increase the flexibility of stroke treatment and improve medication compliance. In the future, sequential therapy consisting of Sanbexin sublingual tablets and Sanbexin® (Edaravone and Dexborneol Concentrated Solution for Injection) which has been launched by the Company is expected to enable patients to receive a complete treatment. In addition, administration of sublingual tablets is less dependent on medical facility conditions or compliance of patients, which makes it more suitable for research on new indications such as other nervous system diseases.

- On April 20, 2022, the Group reached further strategic cooperation with Neurodawn in respect of the overseas interests of Sanbexin sublingual tablets. The Group will commence the clinical studies and commercialization of Sanbexin sublingual tablets outside China. Currently, the phase I clinical study of Sanbexin sublingual tablets in the United States is in the preparation stage.
- On May 4, 2022, the phase III clinical trial of Sanbexin sublingual tablets for the treatment of AIS has completed the LPI which only took ten months to complete the enrollment of all 914 patients in advance, and all treatments and visits of patients were completed in August 2022. This multi-center, randomized, double-blind, parallel and placebo-controlled phase III study was led by Peking University Third Hospital with participation of approximately 40 research centers nationwide, which enrolled patients aged 18–80 with AIS within 48 hours of onset. The primary endpoint of the trial was the proportion of participants with an mRS score of 0~1 on the 90th day after treatment, i.e. proportion of patients who regained independent living function. At the same time, other efficacy and safety indicators were evaluated and biomarkers for stroke were explored.
- On December 1, 2022, the above phase III clinical trial has completed Database Lock (DBL) and statistical analyses. The data showed that, compared with placebo, Sanbexin sublingual tablets have significantly improved the recovery of neurological function and ability to live independently following treatment in AIS patients, achieving expected efficacy endpoints with a good safety profile. The detailed results are expected to be published in academic journals or conferences. The success of such study has demonstrated the clinical values of Sanbexin sublingual tablets in the treatment of AIS, which is expected to bring new treatment options for AIS patients.
- On December 24, 2022, the Group has submitted the Pre-NDA of Sanbexin sublingual tablets and is currently expediting the declaration of its NDA.

Suvemcitug

Suvemcitug is a new-generation recombinant humanized anti-vascular endothelial growth factor (anti-VEGF) monoclonal antibody. In its pre-clinical studies, Suvemcitug has shown higher anti-tumor efficacy than bevacizumab at the same dose in multiple cancer models. In the phase Ib clinical trial conducted in China for the treatment of ovarian cancer, preliminary results showed a favorable safety profile and efficacy signals.

- On June 11, 2021, the FPI for the phase III clinical trial of Suvemcitug in combination with chemotherapy compared with placebo in combination with chemotherapy in patients with recurrent epithelial ovarian cancer, fallopian tube cancer and primary peritoneal cancer who failed to be treated with platinum chemotherapy regimen (SCORES Study) was completed. As of the date of this report, SCORES Study enrolled over 350 subjects in 53 centers in China, and the enrollment of all patients is expected to complete in the first half of 2023.

- On June 8, 2022, the Group completed the enrollment for safety run-in period for a multiple-cohorts and multi-center phase II clinical trial to evaluate the safety and efficacy of Suvemcitug in combination with Envafolimab with or without chemotherapy in patients with advanced solid tumors. As of the date of this report, the intended enrollment has been achieved and enrolled 86 subjects in total.

PHASE I/II STAGE DRUG CANDIDATES

SIM0395 (Paxalisib)

SIM0395 is a BBB-penetrant inhibitor of the PI3K/mTOR pathway. A phase II clinical study showed that Paxalisib has shown highly encouraging signals of clinical efficacy among glioblastoma patients with unmethylated MGMT promoter status. Paxalisib was awarded the GBM orphan drug certification by FDA in 2018 and the fast track certification by FDA, the rare childhood disease and orphan drug certification of diffuse intrinsic pontine glioma (DIPG) in 2020. In March 2021, the Group entered into an exclusive licensing agreement with Kazia to introduce the development and commercialization rights of SIM0395 for all indications in the Greater China region. At present, the partner Kazia is in the international multi-center pivotal phase III clinical trial for glioblastoma (GBM AGILE Study).

Docetaxel polymeric micelles for injection

Docetaxel polymeric micelles for injection uses solubilizing carrier of docetaxel with the polyethylene glycol monomethyl ether-polylactic acid block copolymer (mPEG-PDLLA), an amphiphilic biocompatible biodegradable material, to reduce the allergy and hematotoxicity of docetaxel injection, and facilitate clinical application. In September 2020, the Group reached a global cooperation with Suzhou Hightechbio Biotechnology Co., Ltd. on this product.

- On March 31, 2022, the FPI for the open, multiple-cohorts and multi-center phased II clinical trial on the dosing of Docetaxel Polymeric Micellar for Injection was completed at Tianjin Medical University Cancer Institute and Hospital. As of the date of this report, approximately 30 patients were enrolled.

SIM0270 (SERD)

SIM0270 is the second-generation oral selective estrogen receptor degrading agent (SERD) with blood-brain barrier-penetrating properties independently developed by the Group. The efficacy of SIM0270 in the in vivo model is significantly better than an intramuscular SERD drug already on the market, and is equivalent to the efficacy of the leading compound in the clinical trial stage. It reflects a brain-to-blood ratio significantly better than competing compounds and also shows a tumor- inhibiting drug therapy far superior to fulvestrant on the brain orthotropic model of breast cancer. It is expected to be used for the treatment of breast cancer with brain metastases.

- On December 27, 2021, SIM0270 obtained the Clinical Trial Approval issued by the NMPA, which is intended for the clinical trial of ER+/HER2-breast cancer.
- On May 18, 2022, the phase Ia monotherapy clinical trial of SIM0270 completed the FPI in Tianjin Medical University Cancer Institute & Hospital, and is currently undergoing the study of dose escalation stage for monotherapy.
- On February 3, 2023, the treatment of estrogen receptor positive breast cancer using SIM0270 in combination with piperacil or ivimox has obtained the Clinical Trial Approval issued by the NMPA, and it is planned to begin the enrollment of combined dose group in the second half of 2023.

SIM0235 (TNFR2)

SIM0235 is a tumor-immune target human immunoglobulin G1 (IgG1) humanized anti-tumor necrosis factor receptor type 2 (TNFR2) monoclonal antibody independently developed by the Group. The preclinical pharmacodynamics model shows significant single-agent efficacy and the potential and superior safety in combination with PD-1. SIM0235 can specifically recognize TNFR2 expressed on the cell surface and kill immunosuppressive cells such as regulatory T cells (Treg) and myeloid derived suppressor cells (MDSC) with high expression of TNFR2 through Fc end functions including antibody dependent cell-mediated cytotoxicity (ADCC) and antibody dependent cell-mediated phagocytosis (ADCP). At the same time, it can also block the activation of endogenous tumor necrosis factor (TNF) on TNFR2, inhibit the immunosuppressive function mediated by TNFR2 and the proliferation of related TNFR2+ immunosuppressive cells Treg and MDSC, enhance the body's killing immune response to tumor and play an anti-tumor role. In addition, SIM0235 can specifically recognize TNFR2 expressed on the surface of tumor cells and directly kill tumor cells with high expression of TNFR2 through the effector function mediated by Fc end of antibody.

- On December 6, 2021, SIM0235 obtained the Clinical Trial Approval issued by the NMPA, which is designed to be used for clinical trials of relapsed or refractory advanced solid tumors and cutaneous T-cell lymphoma (CTCL) in China.
- On January 29, 2022, FDA approved the clinical application of the drug, which is designed to be used for clinical trials of advanced solid tumors and CTCL, and achieved the first patient enrollment in the United States on October 31, 2022.
- On March 16, 2022, the FPI for phase I clinical trial of SIM0235 in China was completed at Sun Yat-sen University Cancer Center. This is the first-in-human dosing of SIM0235 and is the first time that a drug candidate for this target has been used in Chinese subjects. The phase I clinical trial will evaluate the safety, pharmacokinetics, pharmacodynamic characteristics and anti-tumor efficacy of SIM0235.
- On March 13, 2023, the Group reached a clinical development cooperation agreement with MSD to explore the possibility of using SIM0235 in combination with KEYTRUDAR (Pembrolizumab), a PD-1 antibody drug in the above phase I trial.

SIM0272 (PRMT5)

SIM0272 is a PRMT5 inhibitor independently developed by the Group with high PRMT5 inhibitory activity and high selectivity. PRMT5 is overexpressed in many cancers, including lung, breast, gastric, colorectal, ovarian, leukaemia and lymphoma, and is associated with progression and poor prognosis in most cancers. Preclinical pharmacokinetic studies revealed that SIM0272 tended to distribute within the tumor with an intratumoral drug concentration to plasma drug ratio of approximately 10 times that of other in study PRMT5 inhibitors and exhibits proliferation inhibitory activity against a variety of hematologic and solid tumor cells in vitro, with the potential to substantially reduce plasma exposure and target related hematologic toxic side effects while inhibiting tumors.

- On March 21, 2022, SIM0272 obtained the Clinical Trial Approval for drugs issued by the NMPA, which is designed for conducting clinical trials for advanced malignant tumors.
- In April 2022, SIM0272 preclinical key information was presented as an oral report at the American Association for Cancer Research (AACR).
- On June 27, 2022, the FPI for the multi-institutional phase I clinical trial which evaluated safety, tolerability, efficacy and pharmacokinetics of SIM0272 in patients with advanced malignant tumors was completed at Shandong Provincial Oncology Hospital.

SIM0237 (PD-L1/IL15v bispecific antibody)

SIM0237 is an anti-PD-L1 monoclonal antibody fused with IL-15/IL-15Rα sushi protein and developed in-house by utilizing the Group's protein engineering platform. It can block the PD-1/PD-L1 immunosuppressive pathway via binding to PD-L1 and activate the immune system through its IL-15 part, thus playing a synergistic role of relieving immunosuppression and boosting the immune system to exhibit antitumor effect. Preclinical studies showed that SIM0237 is more effective than PD-L1 or IL-15 mono treatment in mouse tumor models, suggesting a high potential for clinical development.

- On October 27, 2022, the U.S. Food and Drug Administration has approved the investigational new drugs (IND) application of SIM0237. On December 23, 2022, SIM0237 has obtained the Clinical Trial Approval issued by the NMPA. Pursuant to which, the MRCT clinical trial of SIM0237 is being conducted in the U.S. and China, which is intended to treat advanced solid tumors.
- On March 8, 2023, a phase 1 first-in-human, open-label and multi-center study for the assessment of safety, tolerability, pharmacokinetics and preliminary anti-tumor activity among adult subjects of SIM0237 advanced solid tumors completed the FPI in Hunan Cancer Hospital.

SIM0348 (humanized TIGIT/PVRIG bispecific antibody)

SIM0348 is an IgG1-based humanized TIGIT/PVRIG bispecific antibody developed in-house by utilizing the Group's protein engineering platform. It can specifically bind two novel immune checkpoint proteins, human TIGIT and PVRIG at the same time, aiming to block the interaction between CD155/TIGIT and CD112/PVRIG, and improve the anti-tumor activity of immune cells. SIM0348 has Fc-mediated effector function and can kill immunosuppressive Treg cells with high expression of TIGIT and dual expression of TIGIT and PVRIG, while better mediating the activation and killing effect of NK cells and further enhancing the tumor-killing ability of dual antibodies.

- On December 28, 2022, SIM0348 injection obtained the Clinical Trial Approval issued by the NMPA of China, which is intended to be used in clinical trials for the treatment of advanced solid tumors.

SIM0801 (QPCT)

SIM0801 is an oral small molecule inhibitor targeting glutamine acyl cyclase (QPCT)[1]. By inhibiting QPCT to prevent the formation of toxic N3pE starch protein, SIM0801 can play a role in the early stage of disease, which may prevent neuronal damage. In June 2021, the Group established a strategic regional licensing partnership with Vivoryon Therapeutics N.V. ("**Vivoryon**") for the development and commercialization of SIM0801 and other drugs in the Greater China region. In December 2021, the FDA granted "Fast Track" accreditation to the candidate drug.

- On February 24, 2022, SIM0801 obtained the Clinical Trial Approval issued by the NMPA, which is intended for the treatment of MCI or mild dementia caused by Alzheimer's disease (AD) and the support for the phase I and phase II clinical trial in China.

SIM0800 (AQP4)

SIM0800 is an Aquaporin-4 (AQP4) inhibitor[2] developed based on the Aquaporin water channel theory which has been awarded the Nobel Prize. It is intended for the treatment of acute severe ischaemic stroke complicated by cerebral oedema, as a first-in-class small molecule drug with a novel mechanism of action for brain oedema therapy. The Group entered into a license agreement with Aeromics, Inc. in October 2019, pursuant to which, the Group obtained a proprietary and sublicensable license for its self-funded research, development, production and commercialization of SIM0800 in the Greater China region.

- On February 25, 2023, the phase I clinical trial of SIM0800 completed the LPI.

[1] SIM0801: original code was SIM0408.

[2] SIM0800: original code was SIM0307.

SIM0335 (IL-17A related pathways)

SIM0335 is a drug candidate developed by BCY Pharm Co., Ltd. ("**BCY**") that controls fatty acid metabolism and works on IL-17A-related pathways. SIM0335 is a topical ointment with 3-Ocyclohexanecarbony1-11-keto-β-boswellic acid (CKBA) being the active ingredient. Phase I clinical results showed that the systematic exposure was low and the systematic safety risk was expected to be small.

- On May 27, 2022, the FPI for the phase IIa clinical trial of SIM0335 for the treatment of plaque psoriasis was completed at Wuxi Second People's Hospital. The trial is designed to evaluate the safety, efficacy and pharmacokinetics of SIM0335 for mild-to-moderate plaque psoriasis. On January 12, 2023, such study completed the enrollment of all patients.
- On March 2, 2023, Guangdong Taienkang Pharmaceutical Co., Ltd. acquired 50% equity interests in BCY and BCY was no longer a subsidiary of the Group[1].

SELECTED PRE-CLINICAL STAGE DRUG CANDIDATES

We have approximately 40 candidates in the pre-clinical stage and our in-house pipelines focus on differentiated targets with FIC and BIC potential, which provide strong and diversified product pipelines for the long-term sustainable growth of the Company.

SIM0278 (IL2 mu Fc)

SIM0278 is an interleukin 2 mutant fusion protein (IL-2 mu Fc) that activates regulatory T cells developed in-house by utilizing the Group's protein engineering platform. This IND ready subcutaneous injection will potentially be developed to treat various autoimmune diseases. SIM0278 exhibits improved PK profile and selective activation of Treg cells with no activation of effector T cells or NK cells to restore immune balance which has been demonstrated in multiple preclinical disease models.

- On September 28, 2022, the Group has entered into a licensing agreement with Almirall, an international biopharmaceutical company. Under the agreement, the Group granted Almirall an exclusive right to develop and commercialize SIM0278 outside the Greater China region, the Group received a US$15 million upfront payment and may receive up to US$492 million in development and commercial milestone payments contingent on successful milestone achievements in several indications, with an important part as sales milestones, as well as up to low double-digit tiered royalties based upon future overseas sales. The Group will retain all rights to the product in the Greater China region.

[1] The Group retains the production and commercialization right of SIM0335 in psoriasis indication in Mainland China, Hong Kong and Macau.

Daridorexant

Daridorexant is a insomnia drug that the Group cooperates with Idorsia. Daridorexant is a dual orexin receptor antagonist, which blocks the binding of the wake-promoting neuropeptides orexins (orexin A and orexin B). Rather than inducing sleep through broad inhibition of brain activity, Daridorexant blocks only the activation of orexin receptors. Consequently, Daridorexant decreases the wake drive, allowing sleep to occur, without altering the proportion of sleep stages. Phase III data has been reported in The Lancet Neurology: the pivotal studies demonstrated that Daridorexant significantly improved sleep onset, sleep maintenance and selfreported total sleep time at months one and three compared to placebo. In all treatment groups the proportions of sleep stages were preserved, in contrast to findings reported with benzodiazepine receptor agonists. Daridorexant is able to improve both nighttime sleep and daytime function in adults with chronic insomnia disorder.

- In January 2022, Daridorexant was approved by the U.S. Food and Drug Administration (FDA) and subsequently made commercially available in May 2022. In April 2022, marketing authorization of Daridorexant was granted by the European Commission and subsequently by the Medicines and Healthcare products Regulatory Agency (MHRA) in Great Britain via the European Commission Decision Reliance Procedure (ECDRP).
- On November 15, 2022, the Group entered into an exclusive licensing agreement with Idorsia, and be granted an exclusive right to develop and commercialize Daridorexant in the Greater China region.
- On December 25, 2022, the Group has submitted the Pre-IND of the product in China.

SIM0323 (CD80/IL2)

SIM0323 is the first-in-class CD80/IL-2 bifunctional fusion protein developed by the Group and GI Innovation, Inc. The preclinical pharmacodynamic model shows significant single-drug efficacy and the potential for combined use with other anticancer drugs, such as PD-1 inhibitors and chemotherapeutics. In 2021, the partner was approved for clinical trials by the Korean Ministry of Food and Drug Safety and the U.S. FDA to carry out phase I/II clinical trials of the drug.

SIM0419 (PSD-95)

SIM0419 is a dimer peptide candidate drug (AVLX-144) that the Group cooperates with Avilex, a Danish biotechnology company, and is intended to be used for the treatment of a variety of neurological diseases such as AIS and Subarachnoid Hemorrhage (SAH). The action target is PSD-95. PSD-95 can induce the production of neuroexcitotoxic substances and damage neurons by forming a complex with N-methyl-D-aspartate (NMDA) receptor and neuronal nitric oxide synthase (nNOS), one of the subtypes of glutamate receptor. SIM0419, as a dimer inhibitor of PSD-95, can simultaneously bind to two PDZ domains in PSD-95 and block the interaction between PSD-95, NMDA and nNOS. Its molecular structure has been optimized to have higher affinity, higher stability and stronger neuroprotective activity.

GENERIC PHARMACEUTICALS

For the year ended December 31, 2022, the Group obtained approvals for 3 new generic pharmaceuticals, including edoxaban tosilate tablet (15mg, 30mg and 60 mg), ibrutinib capsules (140mg) and tenofovir alafenamide fumarate tablet (25mg). Meanwhile, it obtained 2 consistency evaluation applications, including Biapenem for injection (0.3g) and amoxicillin and clavulanate potassium for suspension (0.15625g).

INTELLECTUAL PROPERTY RIGHTS

Meanwhile, the Group attaches great importance to the protection of intellectual property rights. For the year ended December 31, 2022, the Group had 245 new patent applications (including domestic and overseas unpublished patent applications): 238 invention patent applications, 1 utility model patent application and 6 appearance design patent applications. As of December 31, 2022, the Group has accumulatively obtained 221 invention patents, 82 utility model patents and 24 appearance design patents.

IMPACT OF COVID-19

Since the beginning of December 2022, the government issued certain new precautions against COVID-19, which cancelled regional lockdown, quarantine requirements and inter-regional travelling restrictions successively. Although the relaxation of COVID-19-related pandemic control measures led to the resumption of numerous offline business operation across China, the infection rate of Chinese population has been surging therewith.

Under such circumstances, in order to fight against the COVID-19 pandemic and help more patients in need, the Group made swift decisions and invested in R&D, and closely cooperated and worked together with relevant research institutes and clinical centers situated throughout China, which contributed to the successful development of XIANNUOXIN® (Simnotrelvir Tablets/Ritonavir Tablets (co-packaged)), the first 3CL anti-COVID-19 oral small molecule innovative drug with proprietary intellectual property right in China. Such drug was launched to the market promptly after being approved to marketing and successively supplied to various medical organizations. The outbreak of pandemic at the end of the year has caused slight impacts to the promotion of the Group's certain research projects and product admission in the short term. However, the situation has quickly returned to normal within one month and has not caused significant impacts to our business operation and financial condition. The Group's adequacy of capital liquidity and working capital can also meet the Company's operational needs and capital commitments.

The Group will still pay close attention to the development of the COVID-19 (including the subsequent outbreak caused by the new variant of the COVID-19, if any), and devote resources to guarantee the supply of XIANNUOXIN® in regions, so as to strive for timely and effective treatment of COVID-19 patients, especially patients at high risk of disease progression. For other products under research, we will follow the applicable regulatory guidelines on clinical trials during the COVID-19, strive to reduce delays and interruptions, and take relevant measures to minimize the pandemic's impact.

PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The Group recorded a profit for the year attributable to equity shareholders of the Company of approximately RMB933 million for 2022, representing a decrease of approximately RMB574 million or approximately 38.1% from RMB1,507 million for 2021. Such decrease in profit for the year attributable to equity shareholders of the Company was mainly attributable to the following investment portfolio and one-off gain items: (1) the net realized and unrealized gains (before tax) on financial assets at fair value through profit or loss for 2022 decreased by approximately RMB270 million as compared to that for 2021 due to the fair value change of the investment portfolio held by the Group for 2022; and (2) the impact of one-off gain, including (a) a gain (before tax) from the conversion into fair value measurement of certain investments in associates of the Company of approximately RMB314 million recorded for 2021 due to the loss of significant influence on such associates of the Company during 2021, and (b) a gain (before tax) from the disposal of the Group's entire equity interest in Simgene Group Limited of approximately RMB399 million recorded for 2021.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a sound financial position. For the year ended December 31, 2022, net cash generated from operating activities was approximately RMB1,355 million, while net cash outflow from operating activities for the year ended December 31, 2021 was approximately RMB202 million. Such change was mainly attributable to the increase in revenue and changes in the operating expenses in 2022. As at December 31, 2022, the Group had cash and cash equivalents of approximately RMB1,658 million (as at December 31, 2021: approximately RMB973 million) and time deposits of approximately RMB975 million (as at December 31, 2021: approximately RMB1,620 million). As at December 31, 2022, the Group had a balance of bank loans of approximately RMB1,292 million (as at December 31, 2021: approximately RMB1,530 million), all of which would mature within one year. As of December 31, 2022, approximately RMB1,193 million of the Group's bank loan balance bore interest at fixed rates, and the effective interest rate range for these loans was 1.0% to 2.73% per annum. For details of the maturity profile of bank loan and interest rate structure, please refer to Notes 24 and 35(c) of the consolidated financial statements. As at December 31, 2022, the gearing ratio of the Group (total liabilities divided by total assets) was approximately 33.7% (as at December 31, 2021: approximately 36.4%).

Currently, the Group follows a set of funding and treasury policies to manage its capital resources and prevent risks involved. The Group expects to fund its working capital and other capital requirements from a combination of various sources, including but not limited to external financing at reasonable market rates. In order to better ensure cash security and reduce capital cost, the Group carries out centralized management of financing activities and the use of capital.

The assets and liabilities of the Group were denominated in RMB, EUR, USD, GBP and HKD. During the Reporting Period, the Group did not employ financial derivatives or enter into foreign derivative contracts to hedge against foreign exchange risk. However, the Group manages the foreign exchange risks by closely monitoring the net exposure of foreign exchange risk to minimize the impact of foreign exchange fluctuations.

PLEDGE OF GROUP'S ASSETS

As at December 31, 2022, the Group pledged bills receivable of approximately RMB115 million for issuance of bank acceptance bills and pledged bank deposits of approximately RMB0.56 million for issuance of letter of guarantee.

CONTINGENT LIABILITIES

In June 2022, a subsidiary of the Group received a notice that it was being sued by a customer in respect of a supply arrangement of raw materials with an indemnity claim of approximately RMB200 million. This claim was on its early stage. Based on the legal advice and available evidences, the Directors do not believe it probable that the court will find against them. No provision has therefore been made in respect of this claim.

Save as disclosed above, as at December 31, 2022, the Group had no other contingent liabilities.

SIGNIFICANT INVESTMENTS HELD

As of December 31, 2022, the Company has a significant investment, with a value of 5% or more of the Company's total assets, in 3D Medicines Inc. ("**3D Medicines**").

3D Medicines (Stock Code: 1244) is a bio-pharmaceutical company listed on the Main Board of the Stock Exchange with a focus on the research and development of oncology therapies for cancer patients, especially those who require long-term care. As of December 31, 2022, the total investment amount of the Company in 3D Medicines amounted to USD40.0 million and the Company held 23,047,468 shares of 3D Medicines, representing 9.02% of the total issued share capital of 3D Medicines. As of December 31, 2022, the fair value of the Company's interests in 3D Medicines amounted to approximately RMB875 million, representing approximately 8.1% of the total assets of the Company as of December 31, 2022.

For the year ended December 31, 2022, the unrealised gain recognised on the Company's investment in 3D Medicines amounted to approximately RMB394 million. The Company has not received any dividend from such investment. According to the annual results announcement for the year ended December 31, 2022 published by 3D Medicines on March 30, 2023, for the year ended December 31, 2022, it recorded revenue of approximately RMB567.39 million and total comprehensive loss for the year of approximately RMB1,052.03 million.

The Board is of the opinion that the Company's investment in 3D Medicines has enhanced the Group's further exploration and development in oncology area, and created synergies with the Group's existing oncology drug promotion business.

Save as disclosed above, during the Reporting Period, the Group did not have any other significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in "Use of Proceeds from the Listing" in this report, as at December 31, 2022, the Group did not have any other future plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

For the year ended December 31, 2022, the Group had no material acquisition or disposal of subsidiaries, associates and joint venture.

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2022, the Group had a total of 7,832 full-time employees. The Group attached great importance to the recruitment, training and retention of outstanding employees, maintained a high standard in selecting and recruiting talents worldwide, and offered competitive compensation packages. The remuneration of employees mainly included basic salary, performance-based bonus and long- term incentives. Remuneration of the full time Directors and senior management who worked full time for the Company shall be determined by the Remuneration and Appraisal Committee under the Board with reference to the principal duties of relevant managerial positions, the results of performance assessment, as well as the remuneration level in the market. For the year ended December 31, 2022, staff costs (including emoluments, social insurance and other benefits of the Directors) amounted to approximately RMB2,137 million. The Group established Simcere Institute, providing employees with training on a regular basis, including orientation programs and technical training for new employees, professional and management training for middle and senior management, and health and safety training across all staff. In addition, the Group has also adopted a restricted share unit scheme on May 20, 2021, with an aim to (1) incentivise the existing and incoming directors, senior management and employees for their contribution to the Group; and (2) attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

DEFINED CONTRIBUTION RETIREMENT PLAN

The Group only operates defined contribution pension plans. Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement plan administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the plan to fund the retirement benefits of the employees.

No forfeited contribution (by the Group on behalf of its employees who leave the scheme prior to vesting fully in such contributions) is available to be utilized by the Group to reduce the contributions payable in the future years or to reduce the Group's existing level of contributions to the defined contribution retirement plan.

The board (the "**Board**") of directors ("**Directors**", and each a "**Director**") of the Company is pleased to submit this report and audited consolidated financial statements of the Group for the year ended December 31, 2022 (the "**Reporting Period**").

GENERAL INFORMATION

The Company was incorporated in Hong Kong on November 30, 2015. The shares of the Company (the "**Share(s)**") were listed on the Main Board of the Stock Exchange on October 27, 2020 (the "**Listing Date**").

PRINCIPAL BUSINESS

The Company is an investment holding company. The Group primarily engages in the R&D, production and commercialization of pharmaceuticals. The Group has a diversified product portfolio in its strategically-focused therapeutic areas, including (i) oncology, (ii) nervous system, (iii) autoimmune and (iv) anti-infection, with leading positions in their respective therapeutic segments and/or established track record.

Operating segment information of the Company for the year ended December 31, 2022 is presented in Note 4(b) to the consolidated financial statements, and a list of principal subsidiaries of the Company, together with the details of their places of incorporation and business, principal activities and issued and paid-in capital, is set out in Note 15 to the consolidated financial statements. There are no changes in the principal business of the Group during the year.

RESULTS AND DIVIDENDS

The operating results of the Group for the year ended December 31, 2022 and the consolidated financial position of the Group and the financial position of the Company as of the same date are set out on pages 105 to 108 and page 208 of the consolidated financial statements.

On March 31, 2023, the Board declared the payment of final dividend of RMB0.16 per Share for the year ended December 31, 2022 to shareholders whose names are on the register of members of the Company on Monday, June 26, 2023. Based on the total number of Shares in issue as of December 31, 2022, the total final dividend to be paid by the Company amounts to approximately RMB425,660,000. The proposed final dividend will be subject to the approval at the annual general meeting of the Company (the "**AGM**") to be held on Thursday, June 15, 2023 and is expected to be distributed to shareholders on or before Wednesday, July 12, 2023.

DIVIDEND POLICY

For the details of the dividend policy of the Company, please refer to the "Corporate Governance Report – Dividend Policy" on page 80 of this annual report.

BUSINESS REVIEW

A fair review of the business of the Group including an indication of likely future developments of the Group's business and an analysis of the Group's performance using financial key performance indicators during the year ended December 31, 2022 are provided in the sections headed "Financial Highlights", "Company Overview", "Chairman's statement" and "Management discussion and analysis" on pages 4, 5, 6 and 8 of this annual report, which form part of this report.

FINANCIAL SUMMARY

According to the audited consolidated financial statements, a summary of results, assets and liabilities of the Group for the past five fiscal years is presented on page 210 of this annual report. This summary does not form part of the audited consolidated financial statements.

SUBSIDIARIES

Simnogen Biotech Ltd. ("**Simnogen Biotech**"), a limited liability company established and operated in the PRC, is held as to 51% by the Group, the financial statements of which, however, are not consolidated into that of the Group as the Group does not control its board of directors. Therefore, Simnogen Biotech is a subsidiary of the Company by virtue of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

Save as disclosed herein, particulars of the Company's subsidiaries are set out in Note 15 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in the property, plant and equipment of the Group during the year are set out in Note 12 to the consolidated financial statements.

SHARE CAPITAL

The Company had 2,660,376,618 ordinary shares in issue as of December 31, 2022. Details of the movements in the share capital of the Company for the year ended December 31, 2022 are set out in Note 31 to the consolidated financial statements.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the initial public offering of the shares of the Company in October 2020 and allotment and issuance of shares of the Company pursuant to the partial exercise of the over-allotment option in November 2020 (the "**Net Proceeds**"), amounted to approximately HK$3,513 million in aggregate. The proposed use of the net proceeds was disclosed in the prospectus of the Company dated October 13, 2020 (the "**Prospectus**").

The following table sets out the utilization of the Net Proceeds as of the December 31, 2022 and the expected timeline for utilization:

Purpose	Percentage of the total amount	Amount of Net Proceeds received (HK$ in million)	Amount of Net Proceeds utilized during the year ended December 31, 2022 (HK$ in million)	Amount of Net Proceeds utilized as of December 31, 2022 (HK$ in million)	Amount of Net Proceeds unutilized as of December 31, 2022 (HK$ in million)	Expected timeline for utilization
Continued research and development of the Group's selected product candidates in its strategically focused therapeutic areas	60%	2,107.85	701.51	1,196.91	910.94	The actual Net Proceeds are expected to be fully utilized by 2027.
Reinforcement of the Group's sales and marketing capabilities	10%	351.31	67.30	351.31	–	The actual Net Proceeds have been fully utilized in 2022.
Investment in companies in the pharmaceutical or biotechnology sector	10%	351.31	236.64	351.31	–	The actual Net Proceeds have been fully utilized in 2022.
Repayment of certain of the Group's outstanding bank loans	10%	351.31	–	351.31	–	The actual Net Proceeds have been fully utilized in 2020.
Working capital and other general corporate purposes	10%	351.31	–	351.31	–	The actual Net Proceeds have been fully utilized in 2021.
Total	**100%**	**3,513.09**	**1,005.45**	**2,602.15**	**910.94**	

For more details, please refer to the section headed "Future Plans and Use of Proceeds — Use of Proceeds" of the Prospectus. On April 15, 2021, the Board resolved to reallocate the net proceeds amounted to approximately HK$325.62 million for the selected cell therapy product candidates, including CD19 CAR T-cell therapy (Indication 1), CD19 CAR T-cell therapy (Indication 2), BCMA CAR T-cell therapy and SIM0325, to the selected oncology product candidates that are currently under development, including COSELA® (SCLC, metastatic CRC and TNBC), SIM0395 and Docetaxel Polymeric Micellar for Injection. On August 31, 2022, the Board resolved to reallocate part of the unutilized Net Proceeds amounted to approximately HK$530 million which originally proposed to be used in selected innovative oncology product candidate at pre-clinical stages (including SIM-200, SIM-203-1, SIM-203-2, SIM-203-3 and SIM-236) to continuous R&D of Sanbexin sublingual tablets, Sanbexin® (Edaravone and Dexborneol Concentrated Solution for Injection), XIANNUOXIN® and SIM0278. For details, please refer to the announcements of the Company dated April 15, 2021 and August 31, 2022 in relation to the change in use of proceeds (the "**Announcements**"). As of December 31, 2022, the Net Proceeds utilized was approximately HK$2,602.15 million and the Net Proceeds unutilized was approximately HK$910.94 million. The Company intends to apply the unutilized Net Proceeds as of December 31, 2022 in the manner and proportion set out in the Prospectus and the Announcements.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the year ended December 31, 2022.

DEBENTURE ISSUED

The Group did not issue any debenture during the year ended December 31, 2022.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and Note 31 to the consolidated financial statements, respectively.

RESERVES AVAILABLE FOR DISTRIBUTION

Details of the reserves available for distribution to the shareholders by the Company as of December 31, 2022 are set out in Note 31 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The Company's customers primarily consist of (i) distributors and pharmacy chains which directly purchase pharmaceutical products from the Company; and (ii) other pharmaceutical manufacturers to which the Company provides promotion services. The Company's suppliers primarily include (i) suppliers for the raw materials of the Group's pharmaceutical products; and (ii) manufacturers of third-party pharmaceutical products.

For the year ended December 31, 2022, revenue from the five largest customers of the Group accounted for 14.8% of its total revenues and the largest customer of the Group accounted for 5.2% of its total revenues. For the year ended December 31, 2022, purchase amount from the five largest suppliers of the Group accounted for 40.6% of its total purchase costs and the largest supplier of the Group accounted for 13.2% of its total purchase costs.

During the year ended December 31, 2022, none of the Directors, their respective close associates or any shareholder of the Company (who, to the knowledge of the Directors, owned more than 5% of the issued shares of the Company), had any interest in any of the Group's top five customers and suppliers.

KEY RELATIONSHIP WITH STAKEHOLDERS

Human resources are one of the most important assets of the Group. The Group strives to motivate its employees by providing them with a clear career path as well as comprehensive and professional training courses. In addition, the Group also offers competitive remuneration packages to its employees, including basic salary, certain benefits and other performance-based incentives.

The Group purchases imported pharmaceutical products from overseas suppliers directly and generate revenue by on-selling them to hospitals and pharmacies through distributors. The Group's suppliers have granted us the rights to market, promote and manage sales channels for their products in China. The Group maintains a stable and long-term relationship with its suppliers by providing them access to the growing Chinese market with steady sales growth.

The Group sells pharmaceutical products to distributors, who resell the products to hospitals and pharmacies either directly or indirectly through their sub-distributors. The Group maintains stable and long-term relationship with its distributors by providing them guidance and training.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognizes the importance of proper adoption of environmental policies which is essential to the attainability of corporate growth. The Strategy Committee of the Company is responsible for (i) making suggestions for the development of the Company's environmental, social and governance ("**ESG**") objectives and monitoring the progress of their implementation, and (ii) reviewing the development trends of the ESG industry as well as evaluating and making suggestions for major ESG-related decisions, ensuring the Company complies with relevant legal and regulatory requirements, and promoting implementation of relevant policies by various departments of the Company.

The Group strictly abides by the laws and regulations related to environmental protection in the place of operation, regularly monitors air pollutants, water pollution, harmful and harmless wastes and noise, and disposes them in accordance with the law. In order to improve the performance of energy conservation and emission reduction and the level of environmental management, the Group continues to improve the environmental management system and included indicators of energy conservation and environmental protection into the annual assessment through the formulation of performance assessment measures for energy conservation and environmental protection management, so as to promote a long-term working mechanism for energy conservation and environmental protection. The Group also carries out online publicity activities of environmental protection to fully integrate the concept of energy conservation and emission reduction into daily office.

The detailed information regarding the Group's performance on environmental and social-related policies and the compliance with relevant laws and regulations which have a significant impact on the Group will be disclosed in the "Environmental, Social and Governance Report" separately published by the Company.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Reporting Period, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

Save as disclosed in Note 35 to the consolidated financial statements in this annual report, summarized below are principal risks and uncertainties identified and faced by the Group which may have a material and adverse impact on the Group's business performance, financial condition, results of operations or prospects. There may be other principal risks and uncertainties in addition to those set out below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Principal Risks and Uncertainties Relating to the Industry

- The Group operates in a highly competitive industry, and it may not be able to compete effectively against its current and future competitors.
- Science and technology, clinical demand and market condition in the pharmaceutical industry may change continuously and rapidly, and the Group may not be able to sufficiently and promptly respond to such changes.

Principal Risks and Uncertainties Relating to the Group's Products and Product Candidates

- The Group may not be able to maintain the sales volumes, pricing levels and profit margins of its major products due to various factors.
- The Group's products may be excluded or removed from national, provincial or other government-sponsored medical insurance programs, or be included in national or provincial negative catalogs, any of which could result in decrease of demand for the Group's relevant products.
- The Group may fail in tender processes to sell its products to PRC public hospitals and other medical institutions and therefore lose market share.
- The Group or its products may not be able to achieve or maintain widespread acceptance and positive reputation among government authorities, business partners, healthcare practitioners and patients.
- The prices of certain of the Group's products are subject to pricing regulation, competition and other factors and therefore may decrease.
- The Group's products may not be produced to the necessary and consistent quality standards. The Group's products may cause or be deemed to cause serious adverse events due to the individual differences of patients as well as the complexity and variety of diseases, thus resulting in the Group being negatively affected.
- The Group may be subject to claims relating to product liability and adverse events in connection with products sold and/or promoted by it as well as product candidates used by it in clinical trials. The Group may fail to successfully defend itself against such claims.
- Development of product candidates, in particular innovative drug candidates, is time-consuming and costly, and the outcome is uncertain. The Group may fail to achieve research and development milestones as planned and/or disclosed, address regulatory concerns (particularly on safety and efficacy) effectively, obtain regulatory approvals in a timely manner, conduct commercialization successfully, or achieve market acceptance as anticipated, for its product candidates.

- The Group relies on third parties to monitor, support and/or conduct pre-clinical studies and clinical trials of its product candidates. If these third parties do not successfully carry out their contractual obligations or meet expected deadlines, the Group may not be able to obtain regulatory approvals for or commercialize its product candidates in a timely manner or at all.
- Even if the Group obtains regulatory approvals for product candidates, it will be subject to continued regulatory review. Any failure to comply with regulatory requirements or occurrence of unanticipated problems with the product candidates may subject it to penalties.
- Certain products and product candidates of the Groups rely on research and development partners, which may result in the risks associated with such products' inability to conduct normal clinical trials, obtain regulatory approvals or commercialization due to the unsuccessful completion of contractual obligations or research and development targets by the partners.

Principal Risks and Uncertainties Relating to Third-party Products

- The Group has limited or no control over the quality and production process of the products manufactured by third-party pharmaceutical companies and sold and/or promoted by it. Such third-party pharmaceutical companies may fail to produce or deliver the relevant products as planned and the relevant products may be found defective or otherwise not produced to the necessary and consistent quality standards.
- The progress of third-party research and development and the impact of market policies may cause risks associated with development and commercialization to the Group's products.

Principal Risks and Uncertainties Relating to the Group's Operations

- The Group may face significant competition in seeking appropriate collaboration partners, invest time and effort in negotiating collaboration details, obtain additional expertise and capital, incur non-recurring and other charges, or increase near and long-term expenditures, in connection with its existing and future collaboration arrangements for the development and commercialization of its product candidates. In addition, the Group may not be able to realize benefits from such arrangements.
- The Group depends on the supply of certain raw materials and pharmaceutical products, and it may encounter decrease, shortage or delay in the supply of, or increase in the price of, such raw materials and pharmaceutical products, resulting in the Group's products being subject to the risks associated with inability to conduct normal production or increased cost.
- If the Group's production facilities encounter substantial disruption or other problems in manufacturing its products, its production capacity could be materially and adversely affected, and it may not be able to fulfill contractual obligations or meet market demand for its products in a timely manner or at all. If the Group fails to increase production capacity, it may not be able to capture the potential growth in market demand for its products, or to commercialize its product candidates.
- The Group may fail to maintain optimal inventory levels, which could increase its operating costs or lead to unfulfilled customer orders.
- The Group may fail to sell and/or promote its products and third-party products effectively due to various factors, including, among other things, inadequate promotion, sales and marketing activities, failure to attract, train and retain a sufficient number of qualified promotion, sales and marketing personnel, and failure to maintain, expand and optimize an effective distribution network.

- The Group's employees, distributors or third-party promoters may engage in misconduct or other improper activities, as a result of which, the Group may be exposed to regulatory investigations, penalties or other negative consequences.
- The Group may not be able to successfully complete any acquisition or enhance post-acquisition performance in the future.
- Failure to adequately protect the Group's intellectual property, or if the scope of its intellectual property fails to sufficiently protect its proprietary rights, other pharmaceutical companies could compete against it more directly. Occurrence of counterfeits of the Group's products may also expose the Group to reduced sales volume of its relevant products, negative publicity, reputational damages and even litigations.
- The Group may become a party to litigations, legal disputes, claims or administrative proceedings, which could divert its management's attention and result in costs, liabilities and damages to its reputation.
- The Group could be subject to risks caused by misuse, leakage or loss of information maintained in its or its collaborators' information technology systems, including personal and medical information that the Group or its collaborators collected in clinical trials. Any misuse, leakage or loss of such information could result in liability and damage to the Group and distract the attention of its management.
- The Group's insurance coverage is limited and may be insufficient. If the Group experiences uninsured losses, it could adversely affect the Group's financial condition and results of operations.
- If the Group's internal risk management and control system is not adequate or effective, and if it fails to detect potential risks in its business as intended, the Group's business, financial condition and results of operations could be materially and adversely affected.
- The Group may lose the services of one or more of its senior management team, key research and development personnel and other key personnel, and the Group may not be able to locate suitable or qualified replacements in a timely manner or at all.

Principal Risks and Uncertainties Relating to the Group's Financial Condition

- If the Group experiences delays in collecting payments from distributors, its cash flows and operations could be adversely affected.
- If the Group does not have access to sufficient funding for the implementation of its strategies and other aspects of its business, its business prospects and future growth could be adversely affected.
- Any change or discontinuation in preferential tax treatment or financial subsidies that currently are or may be available to the Group in the future could materially and adversely affect its business, financial condition and results of operations.

- The fair value measurement of certain of the Group's assets is subject to significant risks and uncertainties and the fair value change of such assets may materially and adversely affect its results of operations.
- Any significant decrease in the Group's future profitability could materially and adversely affect its ability to recover its deferred tax assets.

Principal Risks and Uncertainties Relating to Regulatory Compliance

- The Group is subject to changing legal and regulatory requirements in the PRC. Promulgation of new laws, rules and regulations, or changes in the interpretation or implementation of existing laws, rules and regulations, may materially and adversely affect its business and profitability.
- The Group's overseas investments may be subject to laws, rules, regulations and policies, as well as changes thereof, in the PRC and the corresponding jurisdictions.
- The Group may be restricted from transferring its scientific data abroad and exchanging of data and materials during the collaborative development and research.
- The Group or its business partners may fail to successfully obtain, maintain or renew the necessary permits, licenses or certificates for the development, production, promotion, sales or distribution of its products.
- If the Group fails to comply with laws and regulations regarding environmental, social and governance matters, it could be subject to fines or penalties which may adversely affect its business.

Principal Risks and Uncertainties Relating to Doing Business in the PRC

- Economic, political and social conditions and government policies in the PRC, as well as the global economy, may continue to affect the Group's business.
- Market regulatory actions and civil claims derived therefrom against the Group may expose it to penalties, business constraints and reputational damages.
- The PRC government's control of foreign currency conversion and restrictions on the remittance of RMB out of the PRC may limit the Group's foreign exchange transactions and its ability to pay dividends and meet other obligations.
- The Group relies on dividends paid by its subsidiaries for its cash needs, and limitations under the PRC laws on the ability of its PRC subsidiaries to distribute dividends to the Group could materially and adversely affect its ability to utilize such funds.
- Investors may experience difficulties in effecting service of legal process and seeking recognition and enforcement of foreign judgments in the PRC.

Principal Risks and Uncertainties Relating to COVID-19 Epidemic

- Any prolonged spread or emergence of COVID-19 epidemic in the PRC or elsewhere in the world could materially and adversely affect the Group's business performance, financial condition and results of operations.

The Company believes that risk management is essential to the Group's effective and efficient operations, reliable financial reporting and regulatory compliance. Senior management team of the Company assists the Board in evaluating material risk exposure of the Group, participates in formulation of appropriate risk management and internal control measures, and ensures such measures are properly implemented in the Group's daily operations. However, investors are still advised to make their own judgment or consult their own investment advisers before making any investment in the Shares.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as of December 31, 2022 are set out in the section headed "Management discussion and analysis – Liquidity and Financial Resources" in this annual report and Note 24 to the consolidated financial statements.

DONATIONS

During the Reporting Period, the Group made charitable and other donations in an aggregate amount of approximately RMB45 million.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

As of the date of this report, no important events occurred after the Reporting Period which had a material impact on the Group.

EQUITY-LINKED AGREEMENTS

2021 RSU Scheme

On May 20, 2021 (the "**Adoption Date**"), the Board adopted the 2021 restricted share unit scheme of the Company (the "**2021 RSU Scheme**" or the "**Scheme**"). The purposes of the 2021 RSU Scheme are to (i) incentivize the existing and incoming directors, senior management and employees for their contribution to the Group; and (ii) attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

Effectiveness and Duration

The 2021 RSU Scheme shall be valid and effective for a period of ten years commencing from the Adoption Date, provided that (i) no RSUs shall be granted after the earlier of (a) the expiry of the term of the 2021 RSU Scheme; or (b) after the termination of the 2021 RSU Scheme pursuant to the relevant terms of the 2021 RSU Scheme Rules; and (ii) RSUs that have lapsed in accordance with the relevant terms of the 2021 RSU Scheme Rules or for any other reason can be re-granted by the Board.

Administration

The Board has the sole and absolute power to administer the 2021 RSU Scheme, including the power to (i) interpret and construe the provisions of the 2021 RSU Scheme, (ii) determine the eligible persons (the "**Eligible Persons**") who will be granted the RSUs under the 2021 RSU Scheme, the terms and conditions on which the RSUs are granted, and under what conditions will the RSUs granted pursuant to the 2021 RSU Scheme vest, (iii) make such appropriate and equitable adjustments to the terms of the RSUs granted under the 2021 RSU Scheme as it deems necessary and (iv) make such other decisions or determinations as it shall deem appropriate in the administration of the 2021 RSU Scheme. The Board may delegate the authority to administer the 2021 RSU Scheme to a committee of the Board.

The Board's determinations under the 2021 RSU Scheme need not be uniform and may be made to any Eligible Persons selected by the Board to be granted RSUs under the 2021 RSU Scheme at its discretion (the "**Selected Persons**") who are granted, or are eligible to be granted, RSUs under it. If a Director is an Eligible Person selected by the Board to be granted RSUs under the 2021 RSU Scheme who then accepts the offer of the grant of the RSUs in accordance of the 2021 RSU Scheme (the "**Participant**"), he may, notwithstanding his/her own interest and subject to the Articles, vote on any Board resolution concerning the 2021 RSU Scheme (other than in respect of his/her own participation in it), and may retain RSUs under it. Each Participant waives any right to contest, amongst other things, the value and number of RSUs or Shares or equivalent value of cash underlying the RSUs or Shares and the Board's administration of the 2021 RSU Scheme.

Who may join

Eligible Persons who can receive RSUs under the 2021 RSU Scheme are existing or incoming employees, directors (whether executive or non-executive) and/or officers of the Company or any member of the Group. The Board may, at its discretion, select any Eligible Person for participation in the 2021 RSU Scheme as a Selected Person. Unless so selected, no Eligible Person shall be entitled to participate in the 2021 RSU Scheme. The basis of eligibility of any Selected Person for the grant of RSUs shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group or such other factors as the Board may deem appropriate.

Maximum number of Shares

The maximum number of RSUs that may be granted under the 2021 RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the 2021 RSU Scheme Rules) shall be 137,296,927 Shares, representing approximately 5.26% of the total issued shares of the Company as of the Adoption Date.

Further details of the 2021 RSU Scheme are set out in the announcement of the Company dated May 20, 2021 and Note 30 to the consolidated financial statements.

Details of the RSUs granted under the 2021 RSU Scheme

The number of RSUs available for grant under the 2021 RSU Scheme was 106,355,927 and 87,884,344 as of January 1, 2022 and December 31, 2022, respectively. During the Reporting Period, the number of Shares underlying the RSUs that granted under the 2021 RSU Scheme divided by the weighted average number of total Shares in issue during the Reporting Period is 0.94%. Details of the outstanding RSUs granted under the 2021 RSU Scheme and the movements during the Reporting Period are set out below:

Name or category of grantee	Date of grant	Number of Shares underlying the RSUs outstanding as of the date of grant[Note 1]	Number of Shares underlying the RSUs outstanding as of January 1, 2022	Number of RSUs granted during the Reporting Period	Closing price of the Shares immediately before the date on which the awards were granted	Weighted average closing price of the Shares immediately before the vesting date[Note 2]	Fair value of awards at the date of grant and the accounting standard and policy adopted[Note 3]	Vested during the Reporting Period	Lapsed during the Reporting Period[Note 4]	Number of Shares underlying the RSUs outstanding as of December 31, 2022	Vesting dates (subject to vesting conditions[Note 5])	Approximate percentage of total number of Shares in issue as of December 31, 2022
Directors												
Mr. TANG Renhong	November 1, 2021	3,000,000	3,000,000	–	HK$8.12	HK$8.06	HK$7.92	1,000,000	–	2,000,000	Note 6	0.0752%
	November 9, 2022	1,650,000	–	1,650,000	HK$11.34	–	HK$11.62	–	–	1,650,000	Note 7	0.0620%
Mr. WAN Yushan	November 1, 2021	2,025,000	2,025,000	–	HK$8.12	HK$8.06	HK$7.92	675,000	–	1,350,000	Note 6	0.0507%
	November 9, 2022	850,000	–	850,000	HK$11.34	–	HK$11.62	–	–	850,000	Note 7	0.0320%
Ms. WANG Xi	November 1, 2021	492,000	492,000	–	HK$8.12	HK$8.06	HK$7.92	164,000	–	328,000	Note 6	0.0123%
Senior management and other connected persons												
Mr. SHI Ruiwen	November 1, 2021	411,000	411,000	–	HK$8.12	HK$8.06	HK$7.92	137,000	–	274,000	Note 6	0.0103%
Mr. CHENG Xianghua	November 1, 2021	615,000	615,000	–	HK$8.12	HK$8.06	HK$7.92	205,000	–	410,000	Note 6	0.0154%
	November 9, 2022	350,000	–	350,000	HK$11.34	–	HK$11.62	–	–	350,000	Note 7	0.0132%
Mr. LU Jianxue	November 1, 2021	615,000	615,000	–	HK$8.12	HK$8.06	HK$7.92	205,000	–	410,000	Note 6	0.0154%
Mr. WANG Feng	November 1, 2021	492,000	492,000	–	HK$8.12	HK$8.06	HK$7.92	164,000	–	328,000	Note 6	0.0123%
	November 9, 2022	150,000	–	150,000	HK$11.34	–	HK$11.62	–	–	150,000	Note 7	0.0056%
Ms. MA Yan	November 1, 2021	306,000	306,000	–	HK$8.12	HK$8.06	HK$7.92	–	306,000	–	–	–

Name or category of grantee	Date of grant	Number of Shares underlying the RSUs outstanding as of the date of grant[Note 1]	Number of Shares underlying the RSUs outstanding as of January 1, 2022	Number of RSUs granted during the Reporting Period	Closing price of the Shares immediately before the date on which the awards were granted	Weighted average closing price of the Shares immediately before the vesting date[Note 2]	Fair value of awards at the date of grant and the accounting standard and policy adopted[Note 3]	Vested during the Reporting Period	Lapsed during the Reporting Period[Note 4]	Number of Shares underlying the RSUs outstanding as of December 31, 2022	Vesting dates (subject to vesting conditions[Note 5])	Approximate percentage of total number of Shares in issue as of December 31, 2022
Ms. CHEN Yanqiong	November 1, 2021	165,000	165,000	–	HK$8.12	HK$8.06	HK$7.92	55,000	–	110,000	Note 6	0.0041%
	November 9, 2022	100,000	–	100,000	HK$11.34	–	HK$11.62	–	–	100,000	Note 7	0.0038%
Mr. YU Qingzhu	November 1, 2021	129,000	129,000	–	HK$8.12	HK$8.06	HK$7.92	43,000	–	86,000	Note 6	0.0032%
	November 9, 2022	100,000	–	100,000	HK$11.34	–	HK$11.62	–	–	100,000	Note 7	0.0038%
Ms. CHEN Qianjie	November 1, 2021	63,000	63,000	–	HK$8.12	HK$8.06	HK$7.92	21,000	–	42,000	Note 6	0.0016%
Ms. CONG Yuehua	November 1, 2021	96,000	96,000	–	HK$8.12	HK$8.06	HK$7.92	32,000	–	64,000	Note 6	0.0024%
	November 9, 2022	150,000	–	150,000	HK$11.34	–	HK$11.62	–	–	150,000	Note 7	0.0056%
Mr. PENG Shaoping	November 1, 2021	225,000	225,000	–	HK$8.12	HK$8.06	HK$7.92	75,000	–	150,000	Note 6	0.0056%
	November 9, 2022	100,000	–	100,000	HK$11.34	–	HK$11.62	–	–	100,000	Note 7	0.0038%
Mr. ZHANG Rong	November 1, 2021	78,000	78,000	–	HK$8.12	HK$8.06	HK$7.92	26,000	–	52,000	Note 6	0.0020%
Mr. HOU Zhiwei	December 23, 2021	123,000	123,000	–	HK$9.12	HK$10.24	K$9.35	41,000	–	82,000	Note 9	0.0031%
	November 9, 2022	100,000	–	100,000	HK$11.34	–	HK$11.62	–	–	100,000	Note 7	0.0038%
Other grantees than Directors, senior management and connected persons												
Other employees	July 16, 2021	10,937,000	10,422,000	–	HK$12.22	Note 2	HK$12.50	3,231,000	1,347,000	5,844,000	Note 8	0.2197%
Other employees	December 23, 2021	11,718,000	11,684,000	–	HK$9.12	Note 2	HK$9.35	3,406,583	1,195,417	7,082,000	Note 9	0.2662%
Other employees[Note 14]	May 11, 2022	6,810,000	–	6,810,000	HK$7.85	Note 2	HK$8.27	–	633,000	6,177,000	Note 10	0.2322%
Other employees	September 28, 2022	14,489,000	–	14,489,000	HK$7.01	Note 2	HK$6.72	–	206,000	14,283,000	Note 11	0.5369%
Other employees	November 9, 2022	119,000	–	119,000	HK$11.34	Note 2	HK$11.62	–	7,000	112,000	Note 12	0.0042%
Total		**56,458,000**	**30,941,000**	**24,968,000**	**–**	**–**	**–**	**9,480,583**	**3,694,417**	**42,734,000**	**–**	**1.6063%[Note 13]**

Notes:

1. The RSUs were granted to the grantees at nil consideration and were or will be transferred to the grantees upon vesting at nil consideration.

2. As the RSUs held by each of Directors, senior management and other connected persons were vested only once during the Reporting Period according to their respective vesting schedules, the weighted average closing price of the Shares immediately before the vesting date for each of Directors, senior management and other connected persons are equal to the closing price of the Shares immediately before the vesting date. The weighted average closing price of the Shares immediately before the vesting date for other employees as a category of grantees is HK$9.85.

3. For details of the accounting standard and policy adopted in relation to and the basis of the measurement of fair value of RSUs, please see Note 30 to the financial statements in this report.

4. During the Reporting Period, no RSU was cancelled.

5. The vesting of the RSUs shall be subject to the satisfaction of the following performance targets as vesting conditions:

   (i) the aggregate amount of profit for the year and research and development costs for the year has an increment to a certain extent; and

   (ii) the results of individual performance assessments carried out by the Group's human resources committee comply with each department's function and target.

6. One third of the RSUs granted shall vest on August 27, 2022, 2023 and 2024, respectively.

7. In relation to 3,515,000 RSUs granted, one third of the RSUs shall vest on November 9, 2023, 2024 and 2025, respectively, and the remaining 35,000 RSUs granted shall vest on November 9, 2023.

8. One third of the RSUs granted shall vest on July 16, 2022, 2023 and 2024, respectively.

9. One third of the RSUs granted shall vest on December 23, 2022, 2023 and 2024, respectively.

10. In relation to 1,500,000 RSUs granted, one third of the RSUs shall vest on January 17, 2023, 2024 and 2025, respectively. In relation to 5,310,000 RSUs granted, one third of the RSUs shall vest on May 11, 2023, 2024 and 2025, respectively.

11. In relation to 13,881,000 RSUs granted, one third of the RSUs shall vest on September 28, 2023, 2024 and 2025, respectively. In relation to 528,000 RSUs granted, one third of the RSUs shall vest on May 11, 2023, 2024 and 2025, respectively. In relation to 80,000 RSUs granted, one half of the RSUs shall vest on May 11, 2023 and 2024, respectively.

12. The RSUs granted shall vest on November 9, 2023.

13. The aggregate percentage of number of Shares underlying the RSUs outstanding as of December 31, 2022 divided by total number of Shares in issue as of December 31, 2022 may not add up to the total percentage of 1.6063% due to rounding.

14. Among 6,810,000 RSUs granted to the other employees of the Group on May 11, 2022, 1,044,000 RSUs were granted to Mr. Zhu Tong, who was an employee of the Group and was not a connected person at the time of the grant. Mr. Zhu Tong was appointed as a director of a subsidiary of the Company on December 30, 2022.

Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") has been amended to govern both share option schemes and share award schemes involving the grant of new shares or options over new shares of the listed issuer with effect from January 1, 2023. In light of the above, the Board has resolved, on March 31, 2023, to propose certain amendments to be made to the 2021 RSU Scheme for approval by the Shareholders at the AGM, so as to (i) bring the 2021 RSU Scheme in line with the Listing Rules and (ii) make certain housekeeping amendments to the 2021 RSU Scheme for the purpose of clarifying existing practice and making consequential amendments. Pursuant to Chapter 17 of the Listing Rules, alterations to the terms and conditions of the 2021 RSU Scheme, which are of a material nature, must be approved by the Shareholders by way of ordinary resolutions in a general meeting of the Company. Therefore, the proposed amendments will be subject to, among others, Shareholders' approval by way of ordinary resolutions at the AGM. For details of the proposed amendments to the 2021 RSU Scheme, please refer to the announcement of the Company dated March 31, 2023.

Saved for the 2021 RSU Scheme adopted by the Company and the pre-IPO share incentive scheme adopted by Simcere Pharmaceutical Holding Limited, a controlling shareholder of the Company, as set out in Note 30 to the consolidated financial statements, no equity-linked agreements were entered into by the Company or subsisted during the year ended December 31, 2022.

PERMITTED INDEMNITY PROVISION

Pursuant to Article 166 of the articles of association of the Company (the "**Articles of Association**"), subject to the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**"), every Director, company secretary or other senior management member of the Company shall be entitled to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he may sustain or incur in or about the execution of his office or otherwise in relation thereto. Such permitted indemnity provision is currently in force and was in force throughout the year ended December 31, 2022.

The Company has purchased Directors, company secretary and senior management's liabilities insurance on behalf of its Directors, joint company secretaries and senior management.

DIRECTORS

The directors of the Company and its subsidiaries during the Reporting Period and up to the date of this report were as follows:

Directors of the Company:	Directors of subsidiaries:	
Executive Directors:	CHEN Yanqiong[4]	REN Jinsheng
Mr. REN Jinsheng *(Chairman and Chief Executive Officer)*	CHEN Yunfei[4]	SHI Ruiwen
Mr. TANG Renhong	CHENG Xianghua	SONG Wenjie[5]
Mr. WAN Yushan	CHU Xuexi	TANG Renhong
Ms. WANG Xi[1]	CONG Yuehua	WAN Yushan
	GONG Jinjie[5]	WANG Feng
Non-executive Director:	HU Jianzhong[5]	WANG Honglin[4]
Mr. ZHAO John Huan[2]	HOU Zhiwei[5]	WANG Pin
	Kyu Don Kim	WANG Xi[5]
Independent non-executive Directors:	LI Zhengtao	XU Jianjian
Mr. SONG Ruilin	LU Jianxue	XU Yuxi
Mr. WANG Jianguo	MA Yan	ZHANG Rong
Mr. WANG Xinhua	PENG Shaoping	ZHU Tong[5]
Mr. SUNG Ka Woon[3]	QIAN Haibo	

Notes:

(1) Ms. WANG Xi has been appointed as an executive Director of the Company with effect from January 18, 2023.

(2) Mr. ZHAO John Huan resigned as a non-executive Director of the Company with effect from August 31, 2022.

(3) Mr. SUNG Ka Woon has been appointed as an independent non-executive Director of the Company with effect from January 18, 2023.

(4) No longer as the director of the Company's subsidiaries during the year ended December 31, 2022 and up to the date of this report.

(5) Appointed as the director of the Company's subsidiaries during the year ended December 31, 2022 and up to the date of this report.

BIOGRAPHIES AND CHANGES IN INFORMATION OF THE DIRECTORS AND SENIOR MANAGEMENTS

Biographical details of the Directors and the senior management of the Company are set out on pages 86 to 96 of this annual report.

Except as noted in the biographies, none of the Directors have held any other directorships in any listed public companies in the last three years.

Further, except as disclosed in the biographies, none of the Directors is connected with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

On March 31, 2023, Mr. WAN Yushan, an executive Director, has been appointed as a member of the Remuneration and Appraisal Committee; Ms. WANG Xi, an executive Director, has been appointed as a member of the Nomination Committee; and Mr. SUNG Ka Woon, an independent non-executive Director, has been appointed as a member of the Remuneration and Appraisal Committee, all with effect from March 31, 2023. For details, please refer to the Company's announcement dated March 31, 2023.

As recommended by the Remuneration and Appraisal Committee and approved by the Board on November 9, 2022, (i) the annual remuneration of Mr. REN Jinsheng had been adjusted from RMB1,440,000 to RMB4,920,000; (ii) the annual remuneration of Mr. TANG Renhong had been adjusted from RMB1,980,000 to RMB3,600,000; and (iii) the annual remuneration of Mr. WAN Yushan had been adjusted from RMB1,020,000 to RMB1,722,000, all with effect from November 9, 2022.

Save as disclosed in this annual report, there are no other matters relating to the re-election of Directors at the forthcoming AGM that need to be brought to the attention of the Shareholders of the Company nor is there any information to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

Save as disclosed in this annual report, there are no other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service contract with the Company, while each of the non-executive Directors and independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years or until the third annual general meeting convened after the Listing Date, whichever is earlier.

The above appointments are always subject to the provisions of retirement and rotation of Directors under the Articles of Association. None of the Directors proposed for re-election at the forthcoming AGM has a service contract with members of the Group that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

DIRECTORS' INTERESTS IN MATERIAL TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in the section headed "Continuing Connected Transactions", the section headed "Connected Transaction" and "Material Related Party Transactions"of Note 34 to the consolidated financial statements in this annual report, no transaction, arrangement or contracts of significance (as defined in Appendix 16 of the Listing Rules) related to the business of the Company to which the Company, its holding companies or any of its subsidiaries was a party and in which a Director, an entity connected with a Director had a material interest, whether directly or indirectly, subsisted as of December 31, 2022 or at any time during the year ended December 31, 2022.

CONTRACT WITH CONTROLLING SHAREHOLDERS

Save as disclosed in the section headed "Continuing Connected Transactions", the section headed "Connected Transaction" and "Material Related Party Transactions"of Note 34 to the consolidated financial statements in this annual report, during the year ended December 31, 2022, neither contract of significance was entered into between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries, nor contract of significance was entered into for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the Prospectus, during the Reporting Period, none of the Directors or their respective associates (as defined under the Listing Rules) had any interest in a business which competes or is likely to compete with the Group's business under Rules 8.10(2)(b) and 8.10(2)(c) of the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Equity-linked Agreements — 2021 RSU Scheme" and "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures", at no time during the Reporting Period or until the end of 2022, were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouses or minor children, or were any such rights exercised by them; nor was the Company, any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other corporations.

DEED OF NON-COMPETITION

The controlling shareholders of the Company have respectively acknowledged to the Company that they have honored the non-competition undertaking made to the Company under the deed of non-competition entered into on October 8, 2020 ("**Deed of Non-competition**"). The independent non-executive Directors have reviewed such compliance and confirmed that the above-mentioned parties had kept and duly performed all the undertakings under the Deed of Non-competition during the Reporting Period.

MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company, as required to be disclosed under section 543 of the Companies Ordinance, was entered into or existed during the Reporting Period.

CONTINUING CONNECTED TRANSACTIONS

During the year ended December 31, 2022, the Group has entered into the following transactions, which constituted continuing connected transactions under the Listing Rules, and are required to be disclosed in accordance with Chapter 14A of the Listing Rules:

Partially-exempt Continuing Connected Transactions

As disclosed in the Prospectus and the announcements of the company dated December 23, 2021 and December 20, 2022 (the "**CCT Announcements**"), the following transactions constituted partially-exempt continuing connected transactions of the Company. For further details, please refer to the section headed "Connected Transactions – Partially-exempt Continuing Connected Transactions" of the Prospectus and the CCT Announcements.

The Group has followed the pricing policies set forth in section headed "Connected Transactions – Partially-Exempt Continuing Connected Transactions" of the Prospectus, the CCT Announcements, as well as the guidelines under the Listing Rules in determining the prices and terms of the continuing connected transactions conducted during the Reporting Period.

Property Lease and Comprehensive Services Framework Agreement

On October 8, 2020, the Company and Nanjing BioSciKin Technology Development Co., Ltd ("**Nanjing BioSciKin Technology**"), for themselves and on behalf of their respective subsidiaries, entered into a property lease and comprehensive services framework agreement (the "**Existing Property Lease and Comprehensive Services Framework Agreement**"), pursuant to which Nanjing BioSciKin Technology agreed to (i) lease certain properties owned by it or its subsidiaries located at No. 699-18, Xuanwu Avenue, Xuanwu District, Nanjing, the PRC (the "**BioSciKin Innovation Park**") to the Group for office, laboratory and staff dormitory use and provide related property management services; and (ii) provide the Group with certain general supporting services within the BioSciKin Innovation Park, which include, among others, utilities and network support, conference supporting services, staff canteen services, accommodation services and other logistics services.

The Existing Property Lease and Comprehensive Services Framework Agreement is for an initial term commencing on the Listing Date and expiring on December 31, 2022 and is renewable for a term of three years upon mutual consent and subject to the requirements under the Listing Rules and other applicable laws and regulations.

Nanjing BioSciKin Technology is a subsidiary of State Good Group Limited which is in turn wholly owned by Mr. REN Jinsheng through Simcere Investments Group Limited, and hence an associate of Mr. REN Jinsheng and a connected person of the Company.

The annual cap for the (i) rents and property management services fees and (ii) general supporting fees payable under the Existing Property Lease and Comprehensive Services Framework Agreement for the year ended December 31, 2022 is RMB64 million, while the actual transaction amount of the year ended December 31, 2022 was approximately RMB50.95 million.

As the term of the Existing Property Lease and Comprehensive Services Framework Agreement expired on December 31, 2022, and the Company would remain cooperation with Nanjing BioSciKin Technology, on December 20, 2022 (after trading hours), the Company renewed the Existing Property Lease and Comprehensive Services Framework Agreement and entered into a new property lease and comprehensive services framework agreement with Nanjing BioSciKin Technology (the "**BioSciKin Property Lease and Comprehensive Services Framework Agreement**"), pursuant to which Nanjing BioSciKin Technology agreed to lease certain properties to the Group for office, laboratory and staff dormitory use and provide related property management services, as well as provide the Group with certain general supporting services which include, among others, utilities and network support, conference supporting services, staff canteen services, accommodation services and other logistics services, for a term of two years commencing from January 1, 2023 and ending on December 31, 2024 (both days inclusive) and is renewable for a term of up to three years upon mutual consent and subject to the requirements under the Listing Rules and other applicable laws and regulations. The annual caps for the continuing connected transactions to be conducted between the Group and Nanjing BioSciKin Technology together with its subsidiaries under the BioSciKin Property Lease and Comprehensive Services Framework Agreement for the two years ending December 31, 2023 and 2024 are estimated to be RMB100 million and RMB70 million, respectively. For more details, please refer to the announcement of the Company dated December 20, 2022.

Sanroad Promotion Services Framework Agreement

On October 8, 2020, Jiangsu Simcere Pharmaceutical Co., Ltd. ("**Jiangsu Simcere**") and Beijing Sanroad Biological Products Co., Ltd. ("**Beijing Sanroad**") entered into a promotion services framework agreement (the "**Sanroad Promotion Services Framework Agreement**"), pursuant to which Jiangsu Simcere agreed to (i) provide promotion services to Beijing Sanroad within the designated geographic areas in the PRC with respect to TB-PPD (purified protein derivative of tuberculin), and (ii) assist Beijing Sanroad in launching TB-PPD to the target market.

The Sanroad Promotion Services Framework Agreement is for an initial term commencing on the Listing Date and expiring on December 31, 2022 and is renewable for a term of three years upon mutual consent and subject to the requirements under the Listing Rules and other applicable laws and regulations.

Beijing Sanroad is a subsidiary of Nanjing BioSciKin Technology, an associate of Mr. REN Jinsheng, and therefore a connected person of the Company.

The annual cap for the transactions under the Sanroad Promotion Services Framework Agreement for the year ended December 31, 2022 is RMB150 million, while the actual transaction amount of the year ended December 31, 2022 was nil.

Xianbo Property Lease and Comprehensive Services Framework Agreement

On December 23, 2021, the Company entered into a property lease and comprehensive services framework agreement (the "**Xianbo Property Lease and Comprehensive Services Framework Agreement**") with Shanghai Xianbo Biological Technology Co., Ltd. ("**Shanghai Xianbo**"), for itself and on behalf of its subsidiaries, pursuant to which the Group agreed to lease certain properties to Shanghai Xianbo for office and laboratory use and provide related property management services, as well as provide Shanghai Xianbo with certain general supporting services which include, among others, network support services, conference supporting services, property maintenance services and other logistics services.

The Xianbo Property Lease and Comprehensive Services Framework Agreement is for a term of three years commencing from January 1, 2022 and ending on December 31, 2024 (both days inclusive), and is renewable for a term of three years upon mutual consent and subject to the requirements under the Listing Rules and other applicable laws and regulations.

Shanghai Xianbo is controlled by Mr. REN Jinsheng, who is one of the Directors and the controlling Shareholder. Shanghai Xianbo is an associate of Mr. REN Jinsheng and therefore a connected person of the Company under Chapter 14A of the Listing Rules.

The annual cap for the transactions under the Xianbo Property Lease and Comprehensive Services Framework Agreement for the year ended December 31, 2022 is RMB5.25 million, while the actual transaction amount of the year ended December 31, 2022 was approximately RMB4.14 million.

In view of the increase in properties to be leased by the Group to Shanghai Xianbo which is in line with the rapid business growth of Shanghai Xianbo, the Board envisaged that the original annual caps in respect of the financial years ending December 31, 2023 and 2024 (i.e. RMB5.53 million and RMB5.85 million, respectively) under the Xianbo Property Lease and Comprehensive Services Framework Agreement would not be sufficient. As such, on December 20, 2022 (after trading hours), the Company and Shanghai Xianbo entered into a supplemental agreement to the Xianbo Property Lease and Comprehensive Services Framework Agreement to increase the original annual caps for the financial years ending December 31, 2023 and 2024 to RMB10.00 million and RMB10.00 million, respectively. In addition, in view of the expected expansion of the business and the increase of the number of employees of Shanghai Xianbo, the original term under the Xianbo Property Lease and Comprehensive Services Framework Agreement regarding the location of the leased properties is repealed for flexibility. The Company and Shanghai Xianbo will set out the location of the leased properties in individual implementation agreements. For more details, please refer to the announcement of the Company dated December 20, 2022.

Diagnostics Property Lease and Comprehensive Services Framework Agreement

On December 23, 2021, the Company entered into a property lease and comprehensive services framework agreement (the "**Diagnostics Property Lease and Comprehensive Services Framework Agreement**") with Jiangsu Simcere Medical Diagnostics Co., Ltd. ("**Jiangsu Simcere Diagnostics**"), for itself and on behalf of its subsidiaries, pursuant to which the Group agreed to lease certain properties to Jiangsu Simcere Diagnostics for office and laboratory use and provide related property management services, as well as provide Jiangsu Simcere Diagnostics with certain general supporting services which include, among others, network support services, conference supporting services, property maintenance services and other logistics services.

The Diagnostics Property Lease and Comprehensive Services Framework Agreement is for a term of three years commencing from January 1, 2022 and ending on December 31, 2024 (both days inclusive), and is renewable for a term of three years upon mutual consent and subject to the requirements under the Listing Rules and other applicable laws and regulations.

Jiangsu Simcere Diagnostics is ultimately controlled by Mr. REN Yong and his spouse, Ms. LI Shimeng, both are substantial shareholders of the Company. Jiangsu Simcere Diagnostics is an associate of Mr. REN Yong and Ms. LI Shimeng and therefore a connected person of the Company under Chapter 14A of the Listing Rules.

The annual cap for the transactions under the Diagnostics Property Lease and Comprehensive Services Framework Agreement for the year ended December 31, 2022 is RMB7.00 million, while the actual transaction amount of the year ended December 31, 2022 was nil.

R&D Project Service Framework Agreement

On December 23, 2021, the Company entered into a R&D project service framework agreement (the "**R&D Project Service Framework Agreement**") with Jiangsu Simcere Diagnostics, for itself and on behalf of its subsidiaries, pursuant to which Jiangsu Simcere Diagnostics agreed to provide R&D project services to the Group, including but not limited to CRO (contract research organization) services, WES (whole exome sequencing) services, CDx (companion diagnostic in vitro diagnostic reagents) service and other R&D project services.

The R&D Project Service Framework Agreement is for a term of three years commencing from January 1, 2022 and ending on December 31, 2024 (both days inclusive), and is renewable for a term of three years upon mutual consent and subject to the requirements under the Listing Rules and other applicable laws and regulations.

Jiangsu Simcere Diagnostics is ultimately controlled by Mr. REN Yong and his spouse, Ms. LI Shimeng, both are substantial shareholders of the Company. Jiangsu Simcere Diagnostics is an associate of Mr. REN Yong and Ms. LI Shimeng and therefore a connected person of the Company under Chapter 14A of the Listing Rules.

The annual cap for the transactions under the R&D Project Service Framework Agreement for the year ended December 31, 2022 is RMB15.00 million, while the actual transaction amount of the year ended December 31, 2022 was approximately RMB1.45 million.

In respect of the continuing connected transactions, the Company confirms that it has followed the policies and guidelines as set out in the guidance letter HKEX-GL73-14 issued by the Stock Exchange when determining the price and terms of the transactions conducted during the year ended December 31, 2022.

Save as disclosed above, none of the other related party transactions set out in the Note 34 of the financial statements constitute connected transactions or continuing connected transactions that are required to be disclosed under Chapter 14A of the Listing Rules. The Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules during the year ended December 31, 2022.

Confirmation from Independent Non-executive Directors

The independent non-executive Directors of the Company have reviewed the continuing connected transactions outlined above, and confirmed that such continuing connected transactions had been entered into:

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

(ii) on normal commercial terms or better; and

(iii) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Confirmations from the Company's Independent Auditor

The Auditor has performed the relevant procedures regarding the Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The Auditor has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group in the paragraph above in accordance with Rule 14A.56 of the Listing Rules. A copy of the Auditor's letter has been provided by the Company to the Stock Exchange.

The Auditor has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the year ended December 31, 2022:

(i) nothing has come to the Auditor's attention that causes the Auditor to believe that the disclosed continuing connected transactions have not been approved by the Board;

(ii) for transactions involving the provision of goods or services by the Group, nothing has come to the Auditor's attention that causes the Auditor to believe that the disclosed continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(iii) nothing has come to the Auditor's attention that causes the Auditor to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iv) with respect to the aggregate amount of each of the disclosed continuing connected transactions, nothing has come to the Auditor's attention that causes the Auditor to believe that the disclosed continuing connected transactions have exceeded the annual caps as set by the Company.

CONNECTED TRANSACTIONS

During the year ended December 31, 2022, the Group has entered into the following transactions, which constituted connected transactions under the Listing Rules, and are required to be disclosed in accordance with Chapter 14A of the Listing Rules:

Grant of RSUs to Connected Grantees

To (i) recognize and reward 9 grantees who are connected persons of the Company (the "**Connected Grantees**") for their contributions to the Group; (ii) encourage, motivate and retain the Connected Grantees, whose contributions are beneficial to the continual operation, development and long-term growth of the Group; and (iii) provide additional incentive for the Connected Grantees to achieve performance goals, with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the Connected Grantees to the Shareholders through ownership of Shares, on November 9, 2022, the Board resolved to grant an aggregate of 3,550,000 RSUs to the Connected Grantees of the Company under the 2021 RSU Scheme. On January 18, 2023, the grant of RSUs to the Connected Grantees was approved by the independent Shareholders at the extraordinary general meeting. For details of the RSUs granted to each of the Connected Grantees, please refer to the section headed "Equity-Linked Agreements – 2021 RSU Scheme – Details of the RSUs granted under the 2021 RSU Scheme".

The Connected Grantees, being two executive Directors, certain directors and chief executives of subsidiaries of the Company, are connected persons of the Company pursuant to Rule 14A.07 of the Listing Rules. Therefore, the grant of RSUs to the Connected Grantees under the 2021 RSU Scheme constituted connected transactions of the Company under Chapter 14A of the Listing Rules and shall be subject to the reporting, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. For details, please refer to the announcements of the Company dated November 9, 2022 and January 18, 2023, the circular of the Company dated December 28, 2022 and Note 30 to the consolidated financial statements.

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

As of December 31, 2022, the interest or short position of the Directors or chief executives of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange, were as follows:

Name of Director/ Chief executive	Nature of interest	Number of Shares/ underlying shares interested	Approximate percentage of shareholding interest[1]
Mr. REN Jinsheng[2]	Interest in controlled corporations/ Interest of concert parties/ Interest of spouse	1,840,102,913	69.17%
Mr. TANG Renhong[3]	Beneficial owner	4,650,000	0.17%
Mr. WAN Yushan[4]	Beneficial owner	3,005,000	0.11%

Notes:

(1) The calculation is based on the total number of 2,660,376,618 issued shares of the Company as of December 31, 2022.

(2) Mr. REN Jinsheng, together with SIG, P&H Holdings, Right Wealth, Mr. REN Yong, Ms. LI Shimeng, Mr. REN Weidong, Ms. REN Zhen and Ms. PENG Suqin (collectively, the "**Ultimate Controlling Shareholders**"), collectively hold 1,839,610,913 Shares, including (i) 606,810,031 Shares and 995,811,934 Shares directly held by Artking and SPHL, respectively, both of which are companies controlled by the Ultimate Controlling Shareholders; (ii) 115,527,578 Shares and 120,961,370 Shares directly held by SIG and FFI, respectively, both of which are companies controlled by Mr. REN Jinsheng; and (iii) 500,000 Shares directly held by Ms. PENG Suqin, who is one of the Ultimate Controlling Shareholders. By virtue of the SFO, as the Ultimate Controlling Shareholders are deemed to be persons acting in concert under the Takeovers Code, each of them is deemed to be interested in the Shares held by each other. Mr. REN Jinsheng is also deemed to be interested in (i) 164,000 Shares held by his spouse, Ms. WANG Xi; and (ii) 328,000 Shares underlying the RSUs granted to Ms. WANG Xi.

(3) Mr. TANG Renhong was interested in (i) 3,000,000 RSUs granted to him on November 1, 2021 under the 2021 RSU Scheme which entitled him to receive the aggregate of 3,000,000 Shares subject to vesting; and (ii) 1,650,000 RSUs granted to him on November 9, 2022 under the 2021 RSU Scheme which entitled him to receive the aggregate of 1,650,000 Shares subject to vesting. As of December 31, 2022, 1,000,000 shares underlying the RSUs granted to him were vested.

(4) Mr. WAN Yushan (i) directly holds 130,000 Shares; (ii) was interested in 2,025,000 RSUs granted to him on November 1, 2021 under the 2021 RSU Scheme which entitled him to receive the aggregate of 2,025,000 Shares subject to vesting; and (iii) was interested in 850,000 RSUs granted to him on November 9, 2022 under the 2021 RSU Scheme which entitled him to receive the aggregate of 850,000 Shares subject to vesting. As of December 31, 2022, 675,000 shares underlying the RSUs granted to him were vested.

Save as disclosed above, as of December 31, 2022, so far as is known to the Directors, none of the Directors and the chief executives of the Company had or were 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), which were required to be notified to the Company under Divisions 7 and 8 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As of December 31, 2022, the interests or short positions of persons (other than the Directors and chief executives of the Company) in the shares or underlying shares of the Company (within the meaning of Part XV of the SFO) which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of shareholder	Nature of interest	Number of shares or underlying shares	Approximate percentage of shareholding interest[1]
Mr. REN Yong[2][3]	Interest in controlled corporations/ Interest of concert parties/ Founder of a discretionary trust	1,839,610,913	69.15%
Ms. LI Shimeng[2][3]	Interest in controlled corporations/ Interest of concert parties/ Interest of spouse	1,839,610,913	69.15%
P&H Holdings Group Ltd. ("**P&H Holdings**")[2][3]	Interest in controlled corporations/ Interest of concert parties	1,839,610,913	69.15%
Mr. REN Weidong[2][4]	Interest in controlled corporations/ Interest of concert parties	1,839,610,913	69.15%
Right Wealth Holdings Limited ("**Right Wealth**")[2][4]	Interest in controlled corporations/ Interest of concert parties	1,839,610,913	69.15%
Ms. REN Zhen[2][5]	Interest in controlled corporations/ Interest of concert parties	1,839,610,913	69.15%

Name of shareholder	Nature of interest	Number of shares or underlying shares	Approximate percentage of shareholding interest[1]
Ms. PENG Suqin[2][6]	Interest in controlled corporations/ Interest of concert parties	1,839,110,913	69.13%
	Beneficial interest	500,000	0.02%
Artking Global Limited ("**Artking**")[7]	Beneficial interest	606,810,031	22.81%
	Interest in controlled corporations	995,811,934	37.43%
	Interest of concert parties	236,988,948	8.91%
Simcere Holding Limited ("**Simcere Holding**")[8]	Interest in controlled corporations	995,811,934	37.43%
	Interest of concert parties	843,798,979	31.72%
Excel Investments Group Limited ("**Excel Investments**")[9]	Interest in controlled corporations	995,811,934	37.43%
	Interest of concert parties	843,798,979	31.72%
Simcere Pharmaceutical Holding Limited ("**SPHL**")[10]	Beneficial interest	995,811,934	37.43%
	Interest of concert parties	843,798,979	31.72%
Simcere Investments Group Limited ("**SIG**")[2][11]	Beneficial interest	115,527,578	4.34%
	Interest in controlled corporation	120,961,370	4.55%
	Interest of concert parties	1,603,121,965	60.26%
Fortune Fountain Investment Limited ("**FFI**")[12]	Beneficial interest	120,961,370	4.57%
	Interest of concert parties	1,718,649,543	64.60%

Notes:

(1) The calculation is based on the total number of 2,660,376,618 issued shares of the Company as of December 31, 2022.

(2) Mr. REN Jinsheng, together with other Ultimate Controlling Shareholders, collectively hold 1,839,610,913 Shares, including (i) 606,810,031 Shares and 995,811,934 Shares directly held by Artking and SPHL, respectively, both of which are companies controlled by the Ultimate Controlling Shareholders; (ii) 115,527,578 Shares and 120,961,370 Shares directly held by SIG and FFI, respectively, both of which are companies controlled by Mr. REN Jinsheng; and (iii) 500,000 Shares directly held by Ms. PENG Suqin, who is one of the Ultimate Controlling Shareholders. As the Company's Ultimate Controlling Shareholders are deemed to be persons acting in concert under the Takeovers Code, each of them is deemed to be interested in the Shares held by each other by virtue of the SFO.

(3) Mr. REN Yong, son of Mr. REN Jinsheng and spouse of Ms. LI Shimeng, is the settlor of the P&H Family Trust, which holds the entire equity interest in P&H Holdings through P&H Family Trust. Mr. REN Yong, Ms. LI Shimeng and P&H Holdings are the Company's Ultimate Controlling Shareholders and are deemed to be interested in the Shares collectively held by the Company's Ultimate Controlling Shareholders.

(4) Mr. REN Weidong is the brother of Mr. REN Jinsheng and holds the entire equity interest in Right Wealth. Mr. REN Weidong and Right Wealth are the Company's Ultimate Controlling Shareholders and are deemed to be interested in the Shares collectively held by the Company's Ultimate Controlling Shareholders.

(5) Ms. REN Zhen is the sister of Mr. REN Jinsheng. She is one of the Company's Ultimate Controlling Shareholders and is deemed to be interested in the Shares collectively held by the Company's Ultimate Controlling Shareholders.

(6) Ms. PENG Suqin is the mother of Mr. REN Yong. She is one of the Company's Ultimate Controlling Shareholders and is deemed to be interested in the Shares collectively held by the Company's Ultimate Controlling Shareholders. Ms. PENG Suqin also directly holds 500,000 Shares.

(7) Artking directly holds 606,810,031 Shares and indirectly holds 1,232,800,882 Shares, including (i) 995,811,934 Shares directly held by SPHL, a controlled corporation of Artking, (ii) an aggregate of 236,488,948 Shares directly held by SIG and FFI, both of which are companies controlled by Mr. REN Jinsheng and are deemed to be acting in concert with Artking under the Takeovers Code, and (iii) 500,000 Shares directly held by Ms. PENG Suqin, who is one of the Ultimate Controlling Shareholders and is deemed to be acting in concert with Artking under the Takeovers Code. Mr. REN Jinsheng is the director of Artking.

(8) Simcere Holding indirectly holds 1,839,610,913 Shares, including (i) 995,811,934 Shares directly held by SPHL, a controlled corporation of Simcere Holding, (ii) an aggregate of 843,798,979 Shares, which comprises of (a) 606,810,031 Shares directly held by Artking, a company controlled by the Company's Ultimate Controlling Shareholders, (b) 236,488,948 Shares directly held by SIG and FFI, both of which are companies controlled by Mr. REN Jinsheng, and (c) 500,000 Shares directly held by Ms. PENG Suqin, who is one of the Ultimate Controlling Shareholders. Artking, SIG, FFI and Ms. PENG Suqin are deemed to be acting in concert with Simcere Holding under the Takeovers Code. Mr. REN Jinsheng is the director of Simcere Holding.

(9) Excel Investments indirectly holds 1,839,610,913 Shares, including (i) 995,811,934 Shares directly held by SPHL, a controlled corporation of Excel Investments, and (ii) an aggregate of 843,798,979 Shares, which comprises of (a) 606,810,031 Shares directly held by Artking, a company controlled by the Company's Ultimate Controlling Shareholders, (b) 236,488,948 Shares directly held by SIG and FFI, both of which are companies controlled by Mr. REN Jinsheng, and (c) 500,000 Shares directly held by Ms. PENG Suqin, who is one of the Ultimate Controlling Shareholders. Artking, SIG, FFI and Ms. PENG Suqin are deemed to be acting in concert with Excel Investments under the Takeovers Code. Mr. REN Jinsheng is the director of Excel Investments.

(10) SPHL directly holds 995,811,934 Shares and indirectly holds an aggregate of 843,798,979 Shares, including (i) 606,810,031 Shares directly held by Artking, a company controlled by the Company's Ultimate Controlling Shareholders, (ii) an aggregate of 236,488,948 Shares directly held by SIG and FFI, both of which are companies controlled by Mr. REN Jinsheng, and (iii) 500,000 Shares directly held by Ms. PENG Suqin, who is one of the Ultimate Controlling Shareholders. Artking, SIG, FFI and Ms. PENG Suqin are deemed to be acting in concert with SPHL under the Takeovers Code. Mr. REN Jinsheng is the director of SPHL.

(11) SIG directly holds 115,527,578 Shares and indirectly hold 1,724,083,335 Shares, including (i) 120,961,370 Shares directly held by FFI, a controlled corporation of SIG and ultimately controlled by Mr. REN Jinsheng, and (ii) an aggregate of 1,602,621,965 Shares directly held by SPHL and Artking, both of which are deemed to be acting in concert with SIG under the Takeovers Code, and (iii) 500,000 Shares directly held by Ms. PENG Suqin, who is one of the Ultimate Controlling Shareholders and is deemed to be acting in concert with SIG under the Takeovers Code. Mr. REN Jinsheng is the director of SIG.

(12) FFI directly holds 120,961,370 Shares and indirectly hold 1,718,649,543 Shares, including (i) 1,718,149,543 Shares directly held by SPHL, Artking and SIG, all of which are deemed to be acting in concert with FFI under the Takeovers Code, and (ii) 500,000 Shares directly held by Ms. PENG Suqin, who is one of the Ultimate Controlling Shareholders and is deemed to be acting in concert with FFI under the Takeovers Code. Mr. REN Jinsheng is the director of FFI.

Save as disclosed above, as of December 31, 2022, there was no other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

SUFFICIENT PUBLIC FLOAT

In accordance with Rule 8.08(1)(d) of the Listing Rules, the Stock Exchange has granted the Company a waiver and accepted a lower public float of 15.45% of the Company's issued share capital. During the Reporting Period and up to the date of this annual report, according to the public information obtainable by the Company and to the knowledge of the Directors, the Company has maintained the minimum public float to the extent permitted by the Stock Exchange.

ANNUAL GENERAL MEETING

The AGM will be held on Thursday, June 15, 2023. The notice of AGM will be sent to shareholders at least 20 clear business days before AGM.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the members' eligibility to attend and vote at the AGM, the Group's register of members will be closed from Monday, June 12, 2023 to Thursday, June 15, 2023, both days inclusive, during which no transfer of share will be registered. The record date will be Thursday, June 15, 2023. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Group shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Group's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, June 9, 2023.

In order to determine the entitlement of shareholders to the proposed final dividend, the register of members of the Group will be closed from Wednesday, June 21, 2023 to Monday, June 26, 2023 (both days inclusive), during which no transfer of shares will be registered. The record date will be Monday, June 26, 2023. All transfer documents together with the relevant share certificates must be lodged with the Group's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 pm on Tuesday, June 20, 2023.

CORPORATE GOVERNANCE

Details of the principal corporate governance practices adopted by the Company are set out in the section of "Corporate Governance Report" of this Annual Report.

REVIEW BY AUDIT COMMITTEE

The Audit Committee has reviewed the financial reporting processes, risk management and internal control systems of the Group and the consolidated financial statements of the Group for the year ended December 31, 2022, and is of the opinion that these statements have complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosure has been made.

AUDITOR

The consolidated financial statements for the year ended December 31, 2022 have been audited by KPMG, which will retire at the conclusion of the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment. A resolution on the re-appointment of KPMG as the auditor of the Company will be proposed at the forthcoming annual general meeting.

For and on behalf of the Board

Mr. REN Jinsheng

(Executive Director, Chairman and Chief Executive Officer)

March 31, 2023

The Board is pleased to present the corporate governance report, for the purpose of inclusion in the annual report of the Company for the year ended December 31, 2022 (the "**Year**").

CORPORATE PURPOSE, VALUE, STRATEGY AND CULTURE

The Company is an innovation and R&D-driven pharmaceutical company focusing on areas including oncology, nervous system, autoimmune and anti-infection with forward-looking layout of disease areas with significant clinical needs in the future, and strives for "providing today's patients with medicines of the future". Driven by both independent R&D and innovation efforts, the Company has established strategic cooperation partnerships with many innovative companies and research institutes.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining and promoting stringent corporate governance. The principles of the Group's corporate governance are to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business operation, so as to ensure that its business and operation are conducted in accordance with applicable laws and regulations, enhance the transparency of the Board and strengthen the accountability to all shareholders. The Group's corporate governance practices are based on the principles and code provisions prescribed in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Save as disclosed in this report, the Group has complied with the code provisions contained in the CG Code during the Year.

CORPORATE GOVERNANCE FUNCTIONS

The Board is collectively responsible for performing the corporate governance functions set out in Code Provision A.2.1 of Part 2 of the CG Code, including at least the following:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of the Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the directors; and
- to review the Company's compliance with the CG Code and disclosure in the annual report.

For the year ended December 31, 2022, the Board has reviewed and monitored the above-mentioned corporate governance functions.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding the Directors' securities transactions. Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the Model Code for the Year.

THE BOARD

Responsibilities

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance, and is collectively responsible for promoting the success of the Company by directing and supervising its affairs.

The Board directly, and indirectly through its committees, leads and provides direction to the management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference.

Delegation of Management Functions

The major powers and functions of the Board include but not limited to convening the general meetings, reporting its work at the general meetings, implementing the resolutions passed at the general meetings, considering and approving the operating plans and investment plans of the Company, formulating the Company's strategic development plans, formulating profit distribution plans and plans on making up losses, as well as exercising other powers and functions as conferred by the Articles of Association of the Company (the "**Articles of Association**"). The Directors are responsible for preparing the accounts.

All Directors have full and timely access to all the information of the Company and advices from the joint company secretaries (the "**Joint Company Secretaries**") and senior management of the Company and may, where appropriate, request to seek independent professional advice at the Company's expenses for discharging their duties to the Company.

The Board is responsible for making decisions on strategic plans, major investment decisions and other significant operational issues of the Company, while responsibilities for implementing decisions of the Board, day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions and tasks are subject to regular review. Prior approvals shall be obtained from the Board for any major transaction.

Composition of the Board

As of December 31, 2022, the Board comprised six Directors, including three executive Directors and three independent non-executive Directors. The Company has appointed Ms. WANG Xi as an executive Director and Mr. SUNG Ka Woon as an independent non-executive Director on January 18, 2023. As of the date of this report, the Board comprised eight Directors, including four executive Directors and four independent non-executive Directors. The list of members of the Board and their positions are set out below.

Executive Directors:

Mr. REN Jinsheng *(Chairman and Chief Executive Officer)*
Mr. TANG Renhong
Mr. WAN Yushan *(Chief Financial Officer and Joint Company Secretary)*
Ms. WANG Xi *(appointed on January 18, 2023)*

Non-executive Director:

Mr. ZHAO John Huan *(resigned on August 31, 2022)*

Independent Non-executive Directors:

Mr. SONG Ruilin
Mr. WANG Jianguo
Mr. WANG Xinhua
Mr. SUNG Ka Woon *(appointed on January 18, 2023)*

Biographies of each Director are set out in the section headed "Biographies of Directors and Senior Management" in this annual report.

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

Mr. REN Jinsheng, the Chairman and Chief Executive Officer, and Ms. WANG Xi, an executive Director, are husband and wife. Apart from that, there is no relationship (including financial, business, family or other material/relevant relationship(s)) between the Board members of the Company.

Chairman and Chief Executive Officer

Under Code Provision C.2.1 of Part 2 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

As of December 31, 2022, the roles of Chairman and Chief Executive Officer of the Company were not separated and Mr. REN Jinsheng currently performs these two roles. Mr. REN Jinsheng is the founder of the Group, the Chairman of the Board and the Chief Executive Officer of the Company. He has been primarily responsible for developing overall corporate business strategies and business operation of the Group and making significant business and operational decisions of the Group. The Directors jointly consider that vesting the roles of both the Chairman of the Board and the Chief Executive Officer of the Company in Mr. REN is beneficial to the business prospects of the Group by ensuring consistent leadership to the Group as well as prompt and effective decision making and implementation. In addition, the Directors jointly believe that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) any decision to be made by the Board requires approval by at least a majority of Directors; (ii) Mr. REN and other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of the Company and will make decisions for the Company accordingly; (iii) As of the date of this report, the balance of power and authority is ensured by the operations of the Board, which consists of four executive Directors (including Mr. REN) and four independent non-executive Directors, and has a fairly strong independence element; and (iv) the overall strategic and other key business, financial, and operational policies of the Company are made collectively after thorough discussion at both Board and senior management levels.

Independent Non-executive Directors

The Board has been complying with the Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors, with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise. In addition, according to Rule 3.10A of the Listing Rules, independent non-executive Directors must represent at least one-third of the Board. During the Year, the Company had three independent non-executive Directors, representing three-sixths of the Board as of December 31, 2022 (during the period from January 1, 2022 to August 31, 2022: three-sevenths); therefore, the Company has complied with the relevant requirements.

According to Rule 3.13 of the Listing Rules, the independent non-executive Directors have made confirmations to the Company regarding their independence during the Year. Based on the confirmations of the independent non- executive Directors, the Company considers each of them to be independent during the Year.

Appointment and Re-election of Directors

Code Provision B.2.2 of the CG Code stipulates that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association.

Each of the executive Directors, namely Mr. REN Jinsheng, Mr. TANG Renhong and Mr. WAN Yushan, has entered into a service contract with the Company on October 8, 2020. The term of respective service contract is initially three years from the Listing Date or until the third annual general meeting convened after the Listing Date, whichever is earlier. Ms. WANG Xi, an executive Director, has entered into a service contract with the Company on January 18, 2023 for a term of three years or until the third annual general meeting convened after the date of appointment, whichever is earlier. The service contract is subject to renewal pursuant to the Articles of Association and applicable laws, rules and regulations.

Each of the independent non-executive Directors, namely Mr. SONG Ruilin, Mr. WANG Xinhua and Mr. WANG Jianguo, has entered into an appointment letter with the Company on October 8, 2020. The term of respective appointment letter is initially three years from the Listing Date or until the third annual general meeting convened after the Listing Date, whichever is earlier. Mr. SUNG Ka Woon has entered into an appointment letter with the Company on January 18, 2023 for a term of three years or until the third annual general meeting convened after the date of appointment, whichever is earlier. The appointment letter is subject to renewal pursuant to the Articles of Association and applicable laws, rules and regulations.

Pursuant to Article 110 of the Articles of Association, without prejudice to the power of the Company in general meeting in accordance with any of the provisions of the Articles of Association to appoint any person to be a Director, the Board shall have power, exercisable at any time and from time to time, to appoint any other person as a Director, either to fill a casual vacancy or as an addition to the Board, provided that the number of Directors so appointed shall not exceed the maximum number (if any) determined pursuant to the Articles of Association. Any Directors so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for reelection, but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at each annual general meeting.

Pursuant to Article 111(a) of the Articles of Association, subject to the provisions of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but greater than one-third, shall retire from office by rotation. Subject to the provisions of the Ordinance, the Listing Rules and the Articles of Association, the Directors to retire in every year shall be those who have been longest in office since their last election, and as between persons who became Directors on the same day, the Directors to retire shall (unless otherwise agreed by themselves) be determined by lot. Every Director, including those appointed for a specific term, shall be subject to retirement at least once every three years.

Pursuant to Article 111(a) of the Articles of Association, Mr. TANG Renhong, Mr. WAN Yushan and Mr. WANG Xinhua will retire at the annual general meeting and, being eligible, offer themselves for re-election at the annual general meeting.

BOARD MEETINGS AND GENERAL MEETINGS

For the year ended December 31, 2022, the Company held a total of 6 Board meetings. At the Board meeting, the Board discussed a wide range of matters, including the Group's overall strategies, business prospects, financial and operating performance, approval of the Group's annual and interim results announcements and reports, regulatory compliance, corporate governance and other material matters.

For the year ended December 31, 2022, the Company convened one annual general meeting. The attendance of the above meeting by each Director is as follows:

Name of the Director	No. of Board meetings attended in person/ by proxy/ convened	Attendance rate of Board meetings	No. of annual general meetings attended in person/ convened	Attendance rate of annual general meetings
Executive Directors:				
Mr. REN Jinsheng	6/0/6	100%	1/1	100%
Mr. TANG Renhong	6/0/6	100%	1/1	100%
Mr. WAN Yushan	6/0/6	100%	1/1	100%
Non-executive Director:				
Mr. ZHAO John Huan *(resigned on August 31, 2022)*	4/0/4	100%	1/1	100%
Independent non-executive Directors:				
Mr. SONG Ruilin	6/0/6	100%	1/1	100%
Mr. WANG Jianguo	6/0/6	100%	1/1	100%
Mr. WANG Xinhua	6/0/6	100%	1/1	100%

The Company fully complies with the Code Provision C.5.1 of Part 2 of the CG Code and 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 are 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.

For other Board and Board Committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are 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 Joint Company Secretaries 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 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 convened. Minutes of the Board meetings are open for inspection by Directors. All Directors shall obtain information related to the Board resolutions in a comprehensive and timely manner, and may seek independent professional advice at the Company's expense after making reasonable request to the Board.

TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Each newly appointed director shall be 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 Company also arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. 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. The Company encourages Directors to participate in continuous professional development to develop and refresh their knowledge and skills.

During the Year, all directors have received directors' training in writing or by attending lectures. Directors' training is mainly about continuing obligations under Chapter 13 of the Listing Rules, information disclosures and development of green finance, updates on the Listing Rules and CG Code, functions of directors of listed companies, regulatory overview of listed companies, latest requirements on ESG disclosures and how to improve ESG ratings, etc.

Name of the Director	Attending or participating in relevant seminars/ reading relevant materials
Executive Directors:	
Mr. REN Jinsheng	✓
Mr. TANG Renhong	✓
Mr. WAN Yushan	✓
Non-executive Director:	
Mr. ZHAO John Huan *(resigned on August 31, 2022)*	✓
Independent non-executive Directors:	
Mr. SONG Ruilin	✓
Mr. WANG Jianguo	✓
Mr. WANG Xinhua	✓

COMMITTEES UNDER THE BOARD OF DIRECTORS

Audit Committee

The Group established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the CG Code. The main duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of our Group, oversee the audit process, review and oversee the existing and potential risks of the Group and perform other duties and responsibilities as assigned by the Board.

The Audit Committee consists of three members, all of which are independent non-executive Directors, namely Mr. WANG Xinhua, Mr. SONG Ruilin and Mr. WANG Jianguo. The chairperson of the Audit Committee is Mr. WANG Xinhua. Mr. WANG Xinhua possesses the appropriate professional qualifications and accounting and related financial management expertise.

In accordance with the written terms of reference of the Audit Committee, it should convene at least two meetings in each fiscal year.

During the Year, the Company held three meetings of the Audit Committee to: (i) review and discuss the report to the Audit Committee prepared by the auditors, KPMG, and the matters the Audit Committee should pay attention to as recommended by the auditors, including any material concerns raised to the management in relation to accounting records, financial statements or internal control systems and the management's responses; (ii) review and discuss the Report of the Risk Management and Internal Control Systems and to review the risk management and internal control systems of the Group and, if appropriate, make recommendations to the Board on the following matters: (a) to review and discuss the Report of the Risk Management and Internal Control Systems of the Group; (b) to review the effectiveness of financial controls, risk management and internal control systems of the Group; and (c) to review the adequacy of resources of the accounting and financial reporting function of the Group, staff qualifications and experience, and review staff training programmes and relevant budget; (iii) review and discuss the draft audited consolidated financial statements; the draft annual results announcement and the draft annual report of the Group for the year ended December 31, 2021 and, if appropriate, make recommendations to the Board; (iv) review and discuss the draft of letter of representation prepared by the auditors, KPMG and make recommendations to the Board; (v) consider and make recommendations to the Board on the re-appointment of KPMG as the Company's independent external auditors for a term until the conclusion of the next annual general meeting of the Company; and (vi) review and discuss the draft unaudited interim consolidated financial statements, the draft interim results announcement and the draft interim report of the Group for the six months ended June 30, 2022, and make suggestions to the Board of Directors, if appropriate.

The Audit Committee held two meetings with the external auditor without the attendance of executive Directors, to discuss the Group's annual financial results for 2021, interim financial results for 2022 and the annual audit plan.

The attendance record of members of the Audit Committee is listed in the table below:

Name of the members of the committee	No. of meetings attended in person/ in proxy by other Directors/convened
Mr. WANG Xinhua	3/0/3
Mr. SONG Ruilin	3/0/3
Mr. WANG Jianguo	3/0/3

The Audit Committee held a meeting on March 31, 2023 to review the annual financial results for 2022, significant internal audit matters and reappoint the external auditor. The audited annual results of the Group for the year ended December 31, 2022 have been reviewed by the Audit Committee, which is of the opinion that the preparation of the relevant financial statements complies with the applicable accounting standards and requirements and that adequate disclosures have been made. Members of the Audit Committee have reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control, risk management and financial reporting matters including the review of the annual results and the consolidated financial statements of the Group for the year ended December 31, 2022.

Remuneration and Appraisal Committee

In accordance with the CG Code, the Company has established a Remuneration and Appraisal Committee (the "**Remuneration and Appraisal Committee**") with written terms of reference. The primary duties of the Remuneration and Appraisal Committee are to establish, review and make recommendations to our Directors on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, assess the performance of executive directors, determine and approve the terms of the specific services contract remuneration package of each executive Director and senior management and review and approve remuneration by reference to corporate goals and objectives resolved by our Directors from time-to-time; and review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

As of December 31, 2022, the Remuneration and Appraisal Committee consists of three members, including two independent non-executive Directors and one executive Director, namely Mr. WANG Jianguo, Mr. WANG Xinhua and Mr. REN Jinsheng. The chairperson of the Remuneration and Appraisal Committee is Mr. WANG Jianguo. Mr. WAN Yushan and Mr. SUNG Ka Woon have been appointed as members of the Remuneration and Appraisal Committee with effect from March 31, 2023.

During the Year, the Remuneration and Appraisal Committee held three meetings to consider and make recommendations to the Board on the remuneration and other benefits payable by the Company to the Directors and senior management, the grant of RSUs to the connected grantees and non-connected grantees, assess the performance of executive Directors, approve the service contract of Ms. WANG Xi, an executive Director and the terms of the appointment letter of Mr. SUNG Ka Woon, an independent non-executive Director, and other related matters.

According to the terms of reference of the Remuneration and Appraisal Committee, the duties of the Remuneration and Appraisal Committee include providing recommendation to the Board in respect of the remuneration packages of the Directors (including individual executive Directors) and senior management of the Company. Pursuant to which, the Remuneration and Appraisal Committee considered the grant of RSUs to the individual Directors and senior management of the Company on a meeting convened on November 9, 2022.

The number of RSUs granted to relevant Directors and senior management is primarily recommended to the Board by the Remuneration and Appraisal Committee with reference to, among other things, their respective roles, responsibilities, work experience, contributions and remuneration packages, as well as the market value of the awarded shares or restricted share units granted to the directors and/or senior management of comparable companies. The Remuneration and Appraisal Committee considers the grant of RSUs to relevant Directors and senior management are to (i) recognize and reward the Grantees for their contributions to the Group; (ii) encourage, motivate and retain the Grantees, whose contributions are beneficial to the continual operation, development and long-term growth of the Group; and (iii) provide additional incentive for the Grantees to achieve performance goals, with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the Grantees to the Shareholders through ownership of Shares. The RSU Grants recognize their past contributions to the Group's business performance and aim to secure their long-term support and commitment to the Group which are vital to the future development of the Group. As the Group's business is undergoing rapid expansion, the RSU Grants serves as an important incentive to motivate them to bring a higher return to the Company. In addition, the Remuneration and Appraisal Committee is of the view that the RSU Grants are in line with the Company's remuneration policy, which includes basic salary, performance-based bonus and long-term incentives, such as the 2021 RSU Scheme. The RSU Grants align the interests of the Grantees directly with the interests of the Shareholders through ownership of the Shares and help to further encourage them to devote their efforts to the Group's development.

The attendance record of members of the Remuneration and Appraisal Committee is listed in the table below:

Name of the members of the committee	No. of meetings attended in person/ in proxy by other Directors/convened
Mr. WANG Jianguo	3/0/3
Mr. WANG Xinhua	3/0/3
Mr. REN Jinsheng	3/0/3

Pursuant to the Code Provision E.1.5 of Part 2 of the CG Code, the following table sets out the total remuneration (excluding equity-settled share expenses) of Directors and senior management members for the year ended December 31, 2022 by remuneration band:

Group	Remuneration (RMB)	Number of Directors	Number of Members of Senior Management	Total Number of Individuals
1	0-1,000,000	4	0	4
2	1,500,001-2,000,000	0	1	1
3	2,500,001-3,000,000	1	0	1
4	3,000,001-3,500,000	0	3	3
5	3,500,001-4,000,000	0	1	1
6	4,500,001-5,000,000	0	1	1
7	5,000,001-5,500,000	0	3	3
8	5,500,001-6,000,000	0	1	1
9	6,500,001-7,000,000	1	0	1
10	7,000,001-7,500,000	0	1	1
11	13,000,001-13,500,000	1	0	1

Further details of the Directors' remuneration and the five highest paid employees required to be disclosed under Appendix 16 of the Listing Rules are set out in Notes 8 and 9 to the financial statements.

Nomination Committee

In accordance with the CG Code, the Company has established a Nomination Committee (the "**Nomination Committee**") with written terms of reference. The primary duties of the Nomination Committee are to review the structure, size and composition of our Board and senior management on a regular basis and make recommendations to our Board regarding any proposed changes to the composition of our Board and senior management, identify, select or make recommendations to our Board on the selection of individuals nominated for directorship and senior management members, ensure the diversity of our Board and senior management members, assess the independence of our independent non-executive Directors and make recommendations to our Board on relevant matters relating to the appointment, reappointment and removal of our Directors and senior management members and succession planning for our Directors and senior management members.

As of December 31, 2022, the Nomination Committee consists of three members, including two independent non-executive Directors and one executive Director, namely Mr. SONG Ruilin, Mr. WANG Jianguo and Mr. REN Jinsheng. The chairperson of the Nomination Committee is Mr. SONG Ruilin. Ms. WANG Xi and Mr. SUNG Ka Woon have been appointed as members of the Nomination Committee with effect from March 31, 2023.

During the Year, the Nomination Committee held five meetings to review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors and make recommendations to the Board on re-election of the retiring directors. The Nomination Committee makes recommendations the re-election of retiring Directors to the Board. The Nomination Committee reviews the Board's structure when considering the re-election of retiring Directors and will consider the diversity of Board members from a variety of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, length of service and industry and regional experience. All Board appointments will be based on meritocracy, and candidates will be considered against criteria including talents, skills and experience as may be necessary for the operation of the Board as a whole, with a view to maintaining a sound balance of the Board's composition.

The attendance record of members of the Nomination Committee is listed in the table below:

Name of the members of the committee	No. of meetings attended in person/ in proxy by other Directors/convened
Mr. SONG Ruilin	5/0/5
Mr. WANG Jianguo	5/0/5
Mr. REN Jinsheng	5/0/5

Strategy Committee

The Company has established a Strategy Committee with written terms of reference in compliance with the requirements under the Listing Rules.

The Strategy Committee consists of three members, including one executive Director, one non-executive Director and one independent non-executive Director, namely Mr. REN Jinsheng, Mr. ZHAO John Huan and Mr. WANG Jianguo. Since Mr. ZHAO John Huan resigned as a non-executive Director on August 31, 2022, Mr. TANG Renhong, an executive Director, succeeded him as a member of the Strategy Committee. The chairperson of the Strategy Committee is Mr. REN Jinsheng.

The primary duties of the Strategy Committee are to review and make suggestions in respect of the strategic directions, development proposals, annual operation plans, investment proposals, major investments, financing and capital injection, expansion of business and any major reorganization or restructuring proposal of the Company.

During the Year, the Strategy Committee held three meetings to assess industry trends, explore long-term planning of the Company, seek major strategic development opportunities, review ESG works and formulate corresponding plans.

The attendance record of members of the Strategy Committee is listed in the table below:

Name of the members of the committee	No. of meetings attended in person/ in proxy by other Directors/convened
Mr. REN Jinsheng	3/0/3
Mr. TANG Renhong *(Appointed as a member of the Strategy Committee on August 31, 2022)*	1/0/1
Mr. ZHAO John Huan *(Resigned on August 31, 2022)*	3/0/3
Mr. WANG Jianguo	3/0/3

Directors Nomination Policy

In accordance with the Company's director nomination policy, the Nomination Committee shall consider the following criteria in evaluating and selecting candidates for directorship:

- Skills, experience and expertise: The candidate should possess the skills, knowledge, experience and expertise which are relevant to the operations of the Company and its subsidiaries;
- Diversity: Candidates should be considered on merit and against objective criteria, with due regard to the diversity perspectives set out in the Board diversity policy of the Company;
- Commitment: The candidate should be able to devote sufficient time to attend Board meetings and participate in induction, trainings and other Board associated activities. In particular, if the proposed candidate will be nominated as an independent non-executive Director and will be holding his/her seventh(or more) listed company directorship, the Nomination Committee should consider the reason given by the candidate for being able to devote sufficient time to the Board and Board Committee meetings;
- Standing: The candidate must satisfy the Board and the Stock Exchange that he/she has the character, experience and integrity to serve as a Director, and is able to demonstrate a standard of competence commensurate with the relevant position as a Director;

- Independence: For the candidate who is proposed as an independent non-executive Director, he or she must satisfy all the independence requirements as set out in Rule 3.13 of the Listing Rules. Where appropriate, the Nomination Committee shall also evaluate the education, qualifications and experience of the candidates in a holistic manner to consider whether they possess appropriate professional qualifications, accounting or related financial management expertise to act as independent non-executive Directors.

The Nomination Committee will recommend to the Board for the appointment of directors (including independent non-executive Directors) in accordance with the following nomination procedures:

- If the Nomination Committee determines that additional appointment or replacement of the Director(s) is required, the Committee may take such measures that it considers appropriate in connection with its identification and evaluation of a candidate;
- The Nomination Committee may propose to the Board a candidate recommended or offered for nomination by the Shareholders of the Group as a nominee for election to the Board and the appointment or reappointment of Directors and succession planning for Directors is subject to the approval of the Board;
- On making recommendation, the Nomination Committee may submit the candidate's personal profile and a proposal to the Board for consideration. In order to be a valid proposal, the proposal must clearly indicate the nominating intention and the candidate's consent to be nominated and the personal profile must incorporate and/or accompanied by the full particulars of the candidate that are required to be disclosed under the Listing Rules, including the information and/or confirmation required under Rule 13.51(2) of the Listing Rules. If the candidate is proposed to be appointed as an independent non-executive Director, his or her independence shall be assessed in accordance with the factors set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time;
- The Board shall observe its Board diversity policy and shall, subject to merit and suitability, continue in its endeavours to introduce more diversity into the Board, taking into account professional experience and qualifications, gender, age, cultural and educational background, and any other factors that the Board might consider relevant and applicable from time to time towards achieving Board diversity; and
- Each proposed new appointment, election or re-election of a Director shall be assessed and/or considered against the criteria and qualifications set out in the nomination policy by the Nomination Committee which shall recommend its views to the Board and/or the Shareholders for consideration and determination.

The Nomination Committee is responsible for monitoring the implementation of the Directors nomination policy and reviewing this policy from time to time as appropriate to ensure its effectiveness.

THE MECHANISM WHERE THE BOARD CAN OBTAIN INDEPENDENT VIEWS AND ADVICE

The Board has adopted a mechanism where the Board can obtain independent views and advice on August 31, 2022. Such mechanism aims at facilitating the Company to establish a mechanism to ensure the Board to possess stronger independent elements, which will be one of the key factors to enhance the Board's efficiency. The Board shall review the execution and effect of this policy once a year. The Board has reviewed the mechanism where the Board can obtain independent views and advice on March 31, 2023, and the Board is of the opinion that the mechanism where the Board can obtain independent views and advice is effective.

In the mechanism where the Board can obtain independent views and advice, the considerations for the Board to obtain independent views and advice are as follows:

(a) Channels for the Directors to Seek Advice from Independent Professional Consultants

According to the requirements of code provisions of the Corporate Governance Code in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the Board shall agree on a procedure to enable the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the issuer's expense. The Board shall resolve to provide separate independent professional advice to the Directors to assist them to perform their responsibilities to the issuer. The Nomination Committee and the Remuneration and Appraisal Committee shall also be provided sufficient resources by the issuer to perform their duties.

For this purpose, the Directors, members of the Nomination Committee or members of the Remuneration and Appraisal Committee of the Company can seek independent professional advice according to the following procedures at the Company's expense, so as to perform their responsibilities:

- A Director makes reasonable request to the secretary to the Board and specify reasons and the responsibilities to be performed.
- Upon receiving the request from a Director, the secretary to the Board shall report to the Chairman of the Board or designated authorised Director as soon as practicable and propose to the Board for granting approval of such request.
- After the Board resolves to approve the relevant requests, the secretary to the Board shall make relevant arrangements as soon as possible to appoint a professional consultant. The selected professional consultant shall be agreed by the Chairman of the Board or designated authorised Director and the Director who make the requisition, and shall not be the consultant used to be engaged by the Company.
- The secretary to the Board shall arrange the independent professional consultants to provide advice.
- The secretary to the Board shall report the relevant arrangements to the Board and keep records.

If the Board and the Director who makes the requisition cannot reach consensus on the appointment of professional consultant, the decision of the Board shall be final and binding.

(b) Seeking Information by Directors

For the matters to be discussed on Board meetings, the Directors have the right to seek further information and documents from the management. The Directors shall also perform due diligence and make independent judgments themselves and shall not solely rely on professional advisers or the information volunteered by the management. To assist the Directors to duly perform their duties and timely discover potential issues, the management shall also provide all relevant documents and information to the Directors, including but not limited to:

- board papers and background information;
- disclosure documents;
- Specific project plans and budgets;

- Projections and monthly financial updates; and
- Supporting information of new project proposals by management.

(c) Qualifications of Independent Non-executive Directors

The Nomination Committee and the Board nominates and appoints independent non-executive Directors according to the nomination policy of the Company. When considering independent non-executive Directors, apart from taking into account their independence as required under the Listing Rules, the Company will also consider whether they are industry practitioners or experts in the Company's business, or have other skills and experience in other areas (e.g. laws and accounting), so as to enhance the Board members' composition of skills, experience and diversity of perspectives.

Independent non-executive Directors shall possess the following functions to provide independent views and advices:

- keeping abreast of the latest information of the businesses of the Company, participating in supervising the Company's performance on achieving established corporate goals and objectives and monitoring relevant reporting process;
- providing independent advice on issues of strategy, policy, corporate performance, accountability, resources, key appointments and standards of conduct, and assist in reviewing certain major decisions of the Board and the Company's performance on corporate goals as well as monitoring relevant reporting process;
- taking the lead where potential conflicts of interests arise; and
- serving as a member of the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and other governance committees, if invited.

(d) Number of Independent Non-executive Directors and the Time Committed

- The Board shall include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgment. There shall be at least three independent non-executive Directors among the Board members and the independent non-executive Directors shall represent at least one-third of the Board, so as to comply with the requirements of the Listing Rules.
- The independent non-executive Directors shall ensure to devote sufficient time and energy to handle such tasks and shall fully engage in the Company's affairs in the Board and other time after the meeting. The independent non-executive Directors who hold directorships in a number of companies or hold important positions in the government or non-profit organizations shall devote sufficient attention to the Board and Board committees.
- If the proposed independent non-executive Directors will be holding their seventh (or more) directorships in listed companies, the Board shall comprehensively considers and explain in the shareholder circular why the Board believes such individual would still be able to devote sufficient time to the Board.
- The Chairman of the Board shall hold at least one meeting with the independent non-executive Directors without the presence of other Directors annually to discuss any doubts or concerns.

- The independent non-executive Directors shall attend general meetings, Board meetings and committee meetings which they serve as a committee member. If they are unable to attend such meetings, it is necessary for them to provide reasons to the Board and relevant committees and make relevant records.

(e) Remuneration

The independent non-executive Directors have not been granted equity-based remuneration (e.g. share options or grants) with performance-related elements as this may lead to bias in their decision-making and compromise their objectivity and independence.

BOARD DIVERSITY POLICY

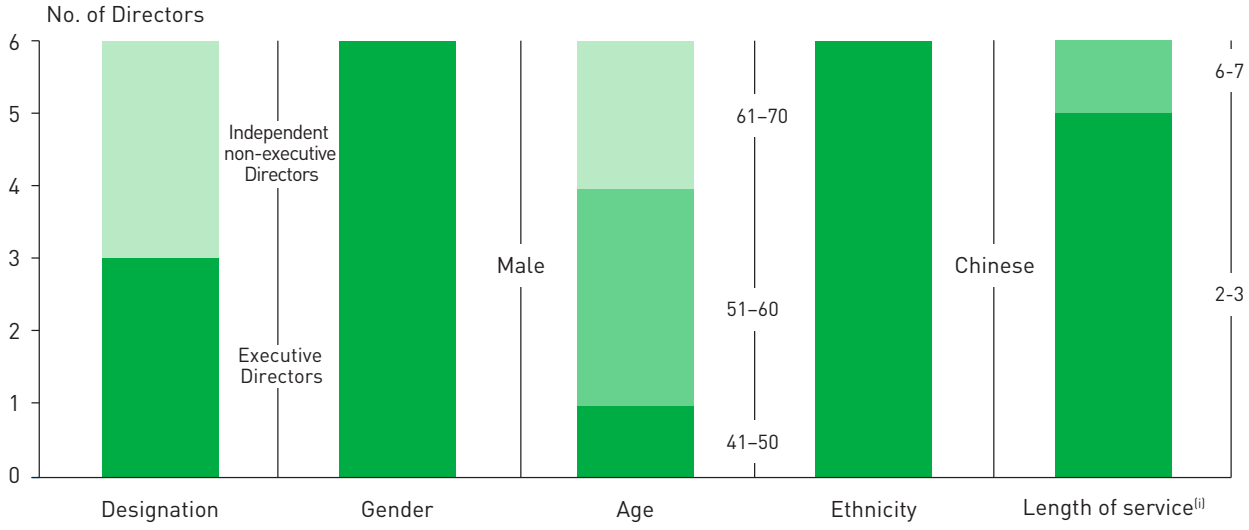
The Company has adopted a Board diversity policy which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of our Board that are relevant to the Company's business growth. The selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merits and contributions that the selected candidates will bring to the Board.

Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, business operation, accounting and financial management, pharmaceutical research and development. They obtained degrees in various majors or certifications, including in economics, business administration, marketing, law, accounting and pharmacy. The Company has four independent non-executive Directors with different industry backgrounds, representing more than one-third of the Board. In addition, our Board has a wide range of age, ranging from 39 years old to 67 years old. Given the Board's composition of all-male directors in 2022, the gender diversity at the Board level shall be improved, thus the Company has appointed Ms. WANG Xi as an executive Director with effect from January 18, 2023. At the same time, the Company will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the management levels. Going forward, our Company will consider the possibility of nominating more female senior management to the Board or appointing a female independent non-executive Director who has the necessary skills and experience. The Company targets to achieve 20% female representation in the Board within five years, subject to the Directors (i) being satisfied with the competence and experience of the relevant candidates after a comprehensive review process based on reasonable criteria; and (ii) fulfilling their fiduciary duties to act in the best interest of our Company and our Shareholders as a whole when deliberating on the appointment. To develop a pipeline of potential female successors to the Board, our Company will (i) ensure that there is gender diversity when recruiting staff at mid to senior levels; and (ii) engage more resources in training female staff with the aim of promoting them to be members of our senior management or the Board.

As at December 31, 2022, male employees accounted for 49.08% and female employees accounted for 50.92% of all employees (including senior management) of the Group. We are committed to creating favorable conditions in our working environment to hire more staff and promote more women to hold senior management positions based on the qualifications, experience and skills required for those positions. In addition, we may face the issue of whether the supply of female personnel in the human resources market matches the academic qualifications, experience and skills required for positions within the Group. Despite these challenges, we are still moving towards gender balance.

The Nomination Committee is responsible for ensuring the diversity of our Board. The Nomination Committee will monitor the implementation of the diversity policy and review the Board diversity policy from time to time to ensure its continued effectiveness. The Board has reviewed the Board diversity policy on March 24, 2022 and the Board is of the opinion that the implementation of Board diversity policy is effective

The graph below set forth the diversity profile of the Board as at December 31, 2022:



Notes:

(i) The length of service is calculated from the date of appointment of the Director(s) by the Company to December 31, 2022.

COMPANY SECRETARIES

On November 9, 2022, Mr. BAO Jun has resigned as the secretary to the Board and a Joint Company Secretary of the Company, and Mr. WAN Yushan, an executive Director and the chief financial officer of the Company, has been appointed as the secretary to the Board and a Joint Company Secretary of the Company. Mr. WAN Yushan is responsible for making recommendations and proposals to the Board on issues related to corporate governance, and ensuring that Board policies and procedures as well as applicable laws, rules and regulations are strictly followed.

In order to maintain sound corporate governance and to ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also appointed Ms. MAK Po Man Cherie of SWCS Corporate Services Group (Hong Kong) Limited, as the Company's Joint Company Secretaries, to assist Mr. WAN Yushan in discharging the duties of a company secretary. Mr. WAN Yushan has attended trainings on, among other things, laws and regulations, Listing Rules, director and Board secretaries' duties, rules on information disclosure, rules on connected transactions, notifiable transactions, equity management of securities companies, directors' and supervisors' securities dealings, disclosure of interests, market misconduct and the implementation of relevant internal policies.

Mr. WAN Yushan and Ms. MAK Po Man Cherie have all confirmed that they received not less than 15 hours of relevant professional training during the year ended December 31, 2022.

DIVIDEND POLICY

The Company currently does not have a fixed dividend distribution ratio. Our Board may declare dividends by considering our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Ordinance, including the approval of our Shareholders.

As the Company is a holding company, our ability to declare and pay dividends will also depend on the availability of dividends received from our PRC subsidiaries. PRC laws require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including HKFRSs. PRC laws also require foreign invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

LIABILITY INSURANCE FOR DIRECTORS AND SENIOR MANAGEMENT

The Company has maintained insurance for all the directors and senior management members to minimum the potential risks which may occur to them during their normal performance of duties.

RESPONSIBILITIES OF THE DIRECTORS FOR FINANCIAL STATEMENTS

The Directors confirm their responsibility for preparing the financial statements of the Company for the year ended December 31, 2022.

The Directors are not aware of any material uncertainties involving events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. The statement of the Company's independent auditor regarding its reporting responsibilities on the financial statements is included in the Independent Auditor's Report on pages 97 to 104 of this annual report.

AUDITORS' REMUNERATION

For the year ended December 31, 2022, the Company appointed KPMG as its independent auditors. The total fees paid/payable for audit and non-audit services provided by the Group's independent auditors for the year ended December 31, 2022, excluding disbursements made on behalf of the Company, are as follows:

Service provided	Fees paid/payable (RMB'000)
Audit service	4,000
Non-audit service [note]	294

Note: Non-audit service mainly refers to taxation advising services.

RISK MANAGEMENT AND INTERNAL CONTROL

The overall objectives of the Group's risk management are to ensure that risks are controlled within an acceptable limits appropriate to the overall objectives, to ensure compliance with relevant laws and regulations, to ensure the implementation of the Group's relevant rules and regulations and major measures taken to achieve business objectives, to ensure the effectiveness of management, to improve the efficiency and effectiveness of business activities, to reduce uncertainty in achieving business objectives, to ensure that a crisis management plan is in place for subsequent management upon occurrence of various significant risks and to ensure that the Company is free of significant loss arising from catastrophic risks or human error. Our risk management system follows the principles of comprehensiveness, prudence, independence, effectiveness and timeliness to ensure the optimized use of the system.

The Group's risk management process consists of five steps: risk identification, risk assessment, risk management strategy selection, risk response and rectification and risk management supervision and improvement. Our internal audit function is performed by the internal control and audit department, which reports directly to the Audit Committee. The Group has separately set an audit department directly reporting to the internal control and audit department, which conducts routine random audits and special audits in accordance with the regulations of each business functions of the Company. In respect of regular random audits, the internal control and audit department prepares the audit plan for the coming year on an annual basis, and carries out the relevant works as per the scheduled timetable. In addition to the regular audits, the internal control and audit department also conducts special audits from time to time based on particular reports and issues identified during the regular random audits. Notices would be issued and notified, in different levels, in respect of the issues identified during the regular random audits and special audits by the internal control and audit department depending on the seriousness of the incidents.

Each business entities of the Group is responsible for identifying, assessing and managing the risks within its scope of business. They will develop their respective internal control system for effective risk management and develop action plans to manage the risks catering for the risks identified and assessed.

Management is responsible for monitoring the Group's risk management and internal control activities and holds regular meetings with the business entities to ensure that key risks have been properly managed and newly identified or evolving risks have been identified. Besides, the internal control and compliance related departments will also monitor the internal operations of the Group from time to time.

The Board is responsible for examining and reviewing the adequacy and effectiveness of the Group's risk management and internal control systems, including financial monitoring, operating monitoring and compliance monitoring, the Board also is responsible for reviewing the annual report and taking advice from the Audit Committee.

The Board reviews the effectiveness of risk management and internal control system once a year and has reviewed the effectiveness of the risk management and internal control system for the year ended December 31, 2022 and has covered all important monitoring aspects, including financial monitoring, operational monitoring and compliance monitoring, and the Board has obtained management's confirmation on the effectiveness of the risk management and internal control system of the Company. In particular, the Board considered the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions as well as the performance and reporting of environmental, social and governance to be adequate. The review was conducted through discussions with the management of the Company, its external auditors and the assessment performed by the Audit Committee. The Board is also of the opinion that there is neither material failure of risk control, nor has it identified any major weakness in risk control. The Company has strictly complied with the requirements under the Corporate Governance Code in relation to risk management and internal control, and the Board assesses that the Company's risk management and internal control system is effective and adequate.

The Board acknowledges that it is accountable for the risk management and internal control systems and has the responsibility to review the effectiveness of such systems. These systems are designed to manage, not eliminate, the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance that there will be no material misrepresentation or loss.

The Company is aware of its responsibilities under the SFO and the Listing Rules with respect to the procedures and internal controls over the handling and dissemination of inside information, and the overriding principle is that if some information is determined as inside information, it should be announced as soon as reasonably practicable and handled with close regard to applicable laws and regulations.

ENVIRONMENTAL POLICIES AND PERFORMANCE

With the recognition of the importance of environmental protection to the pursuit of long-term sustainable development, the Group has formulated various internal systems of energy conservation and emission reduction and promoted energy conservation and emission reduction measures, including put forward environmental management goals, monitor emissions, encourage staff to conserve energy and reduce consumption. The Group is committed to improving the sustainable development of the environment and will closely monitor its performance. The Group has always strictly complied with the applicable laws and regulations in the place of operation, such as the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), which have been supported and effectively implemented by employees. During the year ended December 31, 2022, the Group has not suffered any fines or other penalties for the violation of any health, safety or environmental regulations. For details, please refer to the environmental, social and governance report to be published independently by the Group.

SHAREHOLDERS' RIGHTS

According to the Articles of Association and the Companies Ordinance, Shareholders of the Company may: (i) move a requisition to move a resolution at the AGM; (ii) requisition to convene an extraordinary general meeting (the "**EGM**"); and (iii) propose a person for election as a Director at a general meeting.

Requisition to Move a Resolution at an AGM

The Company holds a general meeting as its AGM every year. In accordance with section 615 of the Companies Ordinance, a requisition to move a resolution at the AGM may be submitted by any number of Shareholders representing not less than one-fortieth (1/40th) of the total voting rights of all Shareholders having the right to vote on that resolution at the AGM, or not less than 50 Shareholders having the right to vote on that resolution at the AGM. The requisition must identify the resolution and must be signed by all the applicant. The requisition must be deposited at the Registered Office (as defined below), for the attention of the Joint Company Secretaries, not later than 6 weeks before the AGM to which the request relates, or if later, when the Notice of AGM is dispatched.

Requisition to Convene an EGM

Shareholders holding not less than one-twentieth (1/20) of the total voting rights of all the members having a right to vote at general meetings of the Company can deposit a requisition to convene an EGM pursuant to sections 566 to 568 of the Companies Ordinance. The requisition must state the general nature of the business to be dealt with at the meeting, and must be signed by the applicant. The requisition must be deposited at our Registered Office for the attention of the Joint Company Secretaries.

Proposing a Person for Election as a Director at a General Meeting

If a Shareholder wishes to propose a person for election as a Director at a general meeting, he/she must give a written notice to that effect to the Joint Company Secretaries. The written notice must include the personal information of the person proposed for election as a Director as required by Rule 13.51(2) of the Listing Rules and be signed by such Shareholder and the person proposed for election as a Director indicating his/her willingness to be appointed or re-appointed and consent of publication of his/her personal information. Such notice shall be given within the period (or a longer period as may be determined by the Directors from time to time) commencing no earlier than the day after the despatch of the notice of such meeting and ending no later than seven days prior to the date appointed for such meeting. Such details and procedures are available in our website.

For requesting the Company to circulate to Shareholders a statement with respect to a matter mentioned in a proposed resolution or any other business to be dealt with at a general meeting, Shareholders are requested to follow the requirements and procedures as set out in section 580 of the Companies Ordinance.

Procedure in relation to Raising Enquiry and Concerns with the Board

Shareholders of the Company wishing to make any enquiry to the Board may do so in writing to the Company since verbal or anonymous ones would not generally be dealt with by the Company.

For the avoidance of doubt, Shareholder(s) must deposit the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the below address and provide their full names, contact details and identification in order to give effect to such requisition, notice or statement, or enquiry. Shareholders' information may be disclosed as required by law.

Contact details

Address: 43/F, AIA Tower, 183 Electric Road, North Point, Hong Kong ("**Registered Office**")
(for the attention of the Joint Company Secretaries)
Email: ir@simcere.com

For any enquiry concerning our Shares, Shareholders are advised to directly check with our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. The contact details of Computershare Hong Kong Investor Services Limited are as follows:

Computershare Hong Kong Investor Services Limited

Address: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Tel: +852 2862 8555
Website: www.computershare.com/hk/contact

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Company's business performance and strategies. The Company has adopted the Shareholders' Communication Policy. The Board has reviewed the Shareholders' Communication Policy on March 24, 2022 and the Company has maintained communications with Shareholders according to the communication strategies set out in the Shareholders' Communication Policy, where the Shareholders can raise questions to the Directors at the annual general meeting held on June 24, 2022, thus the Board is of the opinion that the Shareholders' Communication Policy is implemented appropriately and effective.

The Shareholders' Communication Policy includes the following:

General Policies

- The Board shall maintain an on-going dialogue with Shareholders and the investment community, and will regularly review this Policy to ensure its effectiveness.
- Information shall be communicated to Shareholders and the investment community mainly through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened; and publish all the disclosures submitted to the Stock Exchange, corporate communications and other corporate publications on the Company's website.
- Effective and timely dissemination of information to Shareholders and the investment community shall be ensured at all times. Any question regarding this Policy shall be directed to the Joint Company Secretaries.

Communication Strategies

Shareholders' enquiries

- Shareholders should direct their questions about their shareholdings to the Company's Share Registrar.
- Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available.
- Shareholders and the investment community shall be provided with designated contacts, email addresses and enquiry methods of the Company in order to enable them to make any query in respect of the Company.

*Corporate Communication**

- Corporate communication will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).
- Shareholders are encouraged to provide, amongst other things, in particular, their email addresses to the Company in order to facilitate timely and effective communications.

* "Corporate Communication" refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to the directors' report and annual accounts together with a copy of the auditor's report, the interim report, a notice of meeting, a circular and a proxy form.

Company's website

- A dedicated "Investor Relations" section is available on the Company's website (www.simcere.com). Information on such website is updated on a regular basis.
- Information released by the Company to the Stock Exchange is also posted on the Company's website immediately thereafter. Such Information on website includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents etc.
- All presentation materials provided in conjunction with the Company's annual general meeting and results announcement each year will be made available on the Company's website as soon as practicable after their release.

General Meetings

- Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings.
- Appropriate arrangements for the annual general meetings shall be in place to encourage Shareholders' participation.
- The process of the Company's general meetings will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served.
- Board members, in particular, either the chairman of Board committees or their delegates, appropriate management executives and external auditors will attend annual general meetings to answer Shareholders' questions.
- Shareholders are encouraged to attend Shareholders' activities organized by the Company, where information about the Company, including its latest strategic plan, products and services etc will be communicated.

Communications with the Investment Market

- The Company will organize various events regularly, which include briefing sessions to and private meetings with investors/analysts, holding domestic and international roadshows, media interviews and investor promotions, as well as organizing/participating in industry thematic forums, so as to facilitate communication between the Company and its Shareholders and investors.
- The Directors and employees of the Company who have contacts or dialogues with investors, analysts, media or other interested outside parties are required to comply with the disclosure obligations and requirements under the "Inside Information Disclosure Policy" of the Company.

AMENDMENTS TO ARTICLES OF ASSOCIATION

There is no change in the Articles of Association of the Company during the Year.

Biographical details of the Directors and the senior management of the Company are updated as of the date of this report.

DIRECTORS

EXECUTIVE DIRECTORS

Mr. REN Jinsheng (任晉生), aged 60, is the founder, an executive Director, the chairman of the Board and the chief executive officer of the Company. He is primarily responsible for the overall corporate and business strategies, business operation and making significant business and operational decisions of the Group.

With more than 30 years of industry experience, Mr. REN has gained in-depth understanding of the pharmaceutical industry and acquired rich management experience. At the very beginning of the Group's operations, Mr. REN became the general manager of Jiangsu Simcere at the time of its establishment in March 1995, and has subsequently been the chairman of the board and the chief executive officer of the Group. On November 19, 2019, Mr. REN was officially appointed as the chairman of the Board, an executive Director and the chief executive officer of the Company. Mr. REN has also been the chairman of the board of various subsidiaries within the Group, including but not limited to Jiangsu Simcere since April 2004, Hainan Simcere Pharmaceutical Co., Ltd. (海南先聲藥業有限公司) ("**Hainan Simcere**") since April 2001 and Simcere Pharmaceutical Co., Ltd. (先聲藥業有限公司) ("**Simcere Pharmaceutical**") since February 2003. Prior to the foundation of the Group, Mr. REN served as the manager of the new special drugs business department of Jiangsu Pharmaceutical Industry Co., Ltd. (江蘇省醫藥工業有限公司) from November 1992 to March 1995. Prior to that, Mr. REN worked at Qidong Pharmaceutical Factory (啟東製藥廠), now known as Gaitianli Pharmaceutical Holding Group Pharmaceutical Co., Ltd. (蓋天力醫藥控股集團製藥股份有限公司) from February 1982 to November 1992. In addition, Mr. REN was the president of the China Pharmaceutical Innovation Promotion Association (中國醫藥創新促進會) for the year from 2020 to 2021.

Mr. REN graduated with a college diploma in traditional Chinese pharmacology from Nanjing University of Chinese Medicine (南京中醫藥大學) (formerly known as Nanjing College of Chinese Medicine (南京中醫學院)) in January 1982. He also graduated with a master's degree in business administration from Nanjing Normal University (南京師範大學) in December 1996. Mr. REN was certified as a researcher (natural science series) and a senior economist by Jiangsu Human Resources and Social Security Department (江蘇省人力資源與社會保障廳) in January 2020 and November 2010, respectively.

Over the years, Mr. REN has received many awards and accolades acknowledging his contributions and accomplishments in the pharmaceutical industry, examples of which are set out below:

Honor/Award	Awarding Body	Timing of granting the award
Top 10 leaders in China's pharmaceutical industry (中國醫藥行業十大領軍人物)	National Federation of Industry and Commerce Pharmaceutical Merchants Association (全國工商業聯合會醫藥商協會)	May 2016
First prize of the Science and Technology Award of Hainan Province (海南省科學技術一等獎)	The People's Government of Hainan Province (海南省人民政府)	December 2014; January 2005
Special Government Allowances(政府特殊津貼)	State Council (國務院)	March 2011
Jiangsu Innovation and Entrepreneurship Talent Award (江蘇創新創業人才獎)	Jiangsu Committee of the Communist Party of China (中共江蘇省委); The People's Government of Jiangsu Province (江蘇省人民政府)	June 2010
National Labor Medal (全國五一勞動獎章)	All-China Federation of Trade Unions (中華全國總工會)	April 2007
Second prize of National Science and Technology Progress Award (國家科學技術進步二等獎)	State Council (國務院)	November 2005

Mr. TANG Renhong (唐任宏), aged 43, is an executive Director of the Company and the chairman of the board of directors and the chief executive officer of Simcere Zaiming Pharmaceutical Co., Ltd. (先聲再明醫藥有限公司) ("**Simcere Zaiming**"), a subsidiary of the Company. Mr. TANG is committed to the overall leading of Simcere Zaiming, which is responsible for the research and development, production and marketing of oncology pharmaceuticals of the Group.

Mr. TANG has nearly 13 years of experience in pharmaceutical research and development and management of pharmaceutical companies. Mr. TANG joined the Group acting as the vice president in May 2019. He was officially appointed as an executive Director and the vice president of the Company on November 19, 2019 and further appointed as the senior vice president, the executive vice president and the co-chief executive officer (the "**Co-CEO**") of the Company on June 1, 2020, March 31, 2021 and May 25, 2022, respectively. Mr. TANG resigned as the Co-CEO of the Company on December 31, 2022 and was appointed as the chairman of the board of directors and the chief executive officer of Simcere Zaiming on January 1, 2023.

Prior to joining Simcere, he served as the vice general manager of Shanghai Shengdi Pharmaceutical Co., Ltd. (上海盛迪醫藥有限公司) from September 2017 to May 2019. From September 2013 to August 2017, Mr. TANG worked as the associate director of China Innovation Center of Astrazeneca Investment (China) Co., Ltd. (阿斯利康投資(中國)有限公司). Before that, he worked at the Novo Nordisk Research Center China (諾和諾德中國研究發展中心) from June 2009 to September 2013 with the last position there being the head of department. At the beginning of his career, he was a postdoctoral researcher at the University of California, San Francisco from April 2007 to May 2009.

Mr. TANG obtained a bachelor's degree in biotechnology from Shanghai Jiao Tong University (上海交通大學) in July 2002. He also obtained a Ph.D. in molecular cell biology from Nanyang Technological University (南洋理工大學) in April 2007.

Mr. WAN Yushan (萬玉山), aged 52, is an executive Director, the chief financial officer and one of the joint company secretaries of the Company. He is primarily responsible for the financial, legal and compliance management, formulating financial strategies and in charge of the process and information business of the Group.

Mr. WAN has over 20 years of experience with the Group where he has accumulated knowledge and skills required in the financial management of the Group. Mr. WAN joined the Group in May 2000 and has assumed various positions successively since then, including the financial controller, general manager of financial department, vice president and chief financial officer. On November 19, 2019, Mr. WAN was officially appointed as an executive Director and the chief financial officer of the Company. He has also been the director of several subsidiaries of the Company including, among others, Hainan Simcere since July 2011 and Simcere Pharmaceutical since July 2017.

Mr. WAN obtained a bachelor's degree in biochemistry from Nanjing University (南京大學) in June 1992 and a master's degree in management (majoring in accounting) from Nanjing University in June 1999. Mr. WAN was admitted as a non-practicing member of Jiangsu Institute Certified Public Accountants (江蘇省註冊會計師協會) in November 2009.

Ms. WANG Xi (王熙), aged 40, is an executive Director and a vice president of the Company. She is primarily responsible for the procurement and supply chain department of the Group and quality management, material control and business of Jiangsu Simcere Pharmaceutical Co., Ltd., a subsidiary of the Company. Ms. WANG joined the Group in May 2020 and has been a vice president of the Company since then. She was appointed as an executive Director with effect from January 18, 2023. Ms. WANG Xi is the spouse of Mr. Ren Jinsheng, the founder, an executive Director, the chairman of the Board and the chief executive officer of the Company.

Ms. WANG has extensive experience in corporate governance. Ms. WANG has been the chairman of the board of directors of Simcare Jiangsu Pharmaceutical Co., Ltd. (先聲再康江蘇藥業有限公司) since July 2018, a director of Nanjing BioSciKin Technology Development Co., Ltd. (南京百家匯科技發展有限公司) since April 2020 and a director of Beijing Sanroad Biological Products Co., Ltd. (北京祥瑞生物製品股份有限公司) (stock code: 873821, NEEQ) since May 2020. In addition, Ms. WANG served as a director of Jiangsu Pharmaceutical Industry Research Institute Co., Ltd. (江蘇省醫藥工業研究所有限公司) and the executive director and the general manager of Nanjing Xinjiye Technology Development Co., Ltd. (南京新基業科技發展有限公司) from 2015 to 2022.

Ms. WANG obtained a bachelor's degree in marketing from Nankai University (南開大學) in June 2006 and is currently studying for an EMBA (Executive Master of Business Administration) degree at China Europe International Business School (中歐國際工商學院).

Independent Non-Executive Directors

Mr. SONG Ruilin (宋瑞霖), aged 60, is an independent non-executive Director of the Company. He is primarily responsible for supervising and providing independent advice on the operation and management of the Group.

Mr. SONG has extensive experience in the pharmaceutical industry. Mr. SONG joined the Group in November 2019. He has held positions in a number of public companies, including a non-executive director of Luye Pharma Group Ltd. (stock code: 2186.HK) since March 2017, an independent director of Mediwelcome Healthcare Service and Technology Inc. (麥迪衛康健康醫療服務科技有限公司) (stock code: 2159.HK) since December 2020, an independent director of Jacobio Pharmaceuticals Group Co., Ltd. (加科思藥業集團有限公司) (stock code: 1167.HK) since December 2020, an independent director of Shanghai Henlius Biotech, Inc. (上海復宏漢霖生物技術股份有限公司) (stock code: 2696.HK) since June 2018, an independent director of Shenzhen Chipscreen Biosciences Co., Ltd (深圳微芯生物科技股份有限公司) (stock code: 688321.SH) since August 2018, an independent director of Boya Biopharmaceutical Group Co., Ltd. (博雅生物製藥集團股份有限公司) (stock code: 300294.SZ) from March 2017 to March 2021, an independent director of Tibet Aim Pharm. Inc. (西藏易明西雅醫藥科技股份有限公司) (stock code: 002826.SZ) from August 2015 to August 2021, an independent director of Shanxi Zhendong Pharmaceutical Co., Ltd. (山西振東製藥股份有限公司) (stock code: 300158.SZ) from June 2015 to June 2021, an independent director of Zhejiang Jolly Pharmaceutical Co., Ltd. (浙江佐力藥業股份有限公司) (stock code: 300181.SZ) from July 2009 to January 2014 and an independent director of Jointown Pharmaceutical Group Co., Ltd. (九州通醫藥集團股份有限公司) (stock code: 600998.SH) from November 2008 to November 2014.

Mr. SONG is currently the executive president of PhIRDA (中國醫藥創新促進會) (formerly named as China Pharmaceutical Industry Research and Development Association (中國醫藥工業科研開發促進會)). Mr. SONG also hold several important social positions including a specially-invited expert of the Talent Pool Participating in and Discussing State Affairs of the CPPCC, a consultant of Participating in and Discussing State Affairs of the Chinese Peasants and Workers Democratic Party, the executive deputy director of the Research Centre for Drug Policy and Industrial Development at China Pharmaceutical University (中國藥科大學國家藥物政策與產業發展研究中心), a member of the NMPA's Expert Advisory Committee on the Strategic Decision of Chinese medicine management (中藥管理戰略決策專家諮詢委員會), a member of the Biotech Advisory Panel of the Stock Exchange, vice chairman of China Alliance Rare Diseases, a honorary council member of the Chinese Medicine Society, council member of Chinese Pharmacist Association, a council member of the Bethune Charitable Foundation, a visiting researcher of Shanghai Jiaotong University. Since 2007, Mr. SONG has been dedicated to the research of China's pharmaceutical policies, especially the policies for pharmaceutical innovation. Prior to that, he worked in the Legislative Affairs Office of the State Council of China, mainly engaged in the legislative review and research of health and medicine for a number of years.

Mr. SONG graduated with a bachelor's degree in law from China University of Political Science and Law (中國政法大學) in July 1985. He also graduated with a degree of master of business administration from China Europe International Business School (中歐國際商學院) in November 2004 and a doctoral degree in social and administrative pharmacy from China Pharmaceutical University (中國藥科大學) in December 2018.

Mr. WANG Jianguo (汪建國), aged 62, is an independent non-executive Director of the Company. He is primarily responsible for supervising and providing independent advice on the operation and management of the Group.

Mr. WANG has over 30 years of experience in corporate management. He joined the Group in November 2019, and meanwhile, he has been an independent non-executive director of Honma Golf Limited (stock code: 6858.HK) since September 2016. Mr. WANG also has been the chairman of the board of Five Star Holdings Group Co., Ltd. (五星控股集團有限公司), the chairman of Kidswant Children Products Co., Ltd (stock code: 301078.SZ) and the chairman of Huitongda Network Co., Ltd. (stock code: 9878.HK) since February 2009. Before that, Mr. WANG was the vice president of the Asia-Pacific Region for Best Buy Co., Inc. (stock code: BBY.NY), an American multinational consumer electronics corporation. He founded Jiangsu Five Star Appliance Co., Ltd. (江蘇五星電器有限公司) in 1998 and was its president and the chairman of the board until February 2009. From 1992 to 1998, Mr. WANG held various positions at Jiangsu Wujiaohua Corporation (江蘇五交化總公司) with his last position there being the general manager.

Mr. WANG was elected as the Fifth Excellent Constructor of Socialism with Chinese Characteristics from Non-public Sector (第五屆全國非公有制經濟人士優秀中國特色社會主義事業建設者) in August 2019 and was elected as the Model Worker of the National Business System (全國商務系統勞動模範) by the Ministry of Personnel and the Ministry of Commerce of the PRC in 2007.

Mr. WANG graduated from the Australian National University, in July 2004 with a degree of executive master of business administration. He also completed the program of Ph.D. in Business Administration in Global Finance from Arizona State University, U.S.A. in May 2018.

Mr. WANG Xinhua (王新華), aged 67, is an independent non-executive Director of the Company. He is primarily responsible for supervising and providing independent advice on the operation and management of the Group.

Mr. WANG has almost 45 years of experience in accounting and financial management. Mr. WANG joined the Group in November 2019. He has been an independent non-executive director of China Tobacco International (HK) Company Limited (stock code: 6055.HK) since December 2018, an independent director of China Petroleum Engineering Corporation (中國石油集團工程股份有限公司) (stock code: 600339.SH) since September 2017. In addition, Mr. WANG was an independent director of Guizhou Yibai Pharmaceutical Co., Ltd. (貴州益佰製藥股份有限公司) (stock code: 600594.SH), Guizhou Jiulian Industrial Explosive Material Development Co., Ltd. (貴州久聯民爆器材發展股份有限公司) (stock code: 002037.SZ) (now renamed as Poly Union Chemical Holding Group Co., Ltd. (保利聯合化工控股集團股份有限公司)) and Xinjiang Zhongtai Chemical Co., Ltd. (新疆中泰化學股份有限公司) (stock code: 002092.SZ) from September 2016 to September 2019, from March 2016 to December 2019 and from January 2017 to December 2022, respectively. Prior to that, Mr. WANG served as the chief financial officer of China Petroleum & Chemical Corporation (中國石油化工股份有限公司) (stock code: 386.HK and 600028.SH) from May 2009 to December 2015. From November 2004 to April 2009, he served as a director of the financial planning department of China Petrochemical Corporation (中國石化集團公司).

Mr. WANG graduated from Northeastern University (東北大學) in July 1996 after completing his undergraduate course in management engineering through correspondence courses. He was recognized as a senior accountant at professor level (教授級高級會計師) by Sinopec Group in January 2004.

Mr. SUNG Ka Woon (宋嘉桓) (whose former name was Song Li (宋立)), aged 51, is an independent non-executive Director of the Company. He is primarily responsible for supervising and providing independent advice on the operation and management of the Group.

Mr. SUNG has been the vice chairman of the board of directors of the Wuhan branch of Yuhu Cold Chain (China) Co., Ltd. (玉湖冷鏈（中國）有限公司) since March 2017. From August 2013 to March 2017, Mr. SUNG served as a director at Asia Social Development Research Center (亞洲社會發展研究中心). Mr. SUNG served at various social positions including a president of Hong Kong Industrial and Commercial Association Limited (香港工商總會) from February 2021 to June 2022, a member of Heung Yee Kuk New Territories of Hong Kong since May 2020, a member of the Election Committee of Hong Kong since September 2021, a member of the 12th and 13th CPPCC of Zhanjiang City, Guangdong Province from February 2014 to December 2017, and a member of the 12th CPPCC of Shandong Province from January 2018. Mr. SUNG was appointed as a non-official Justice of the Peace by the Government of Hong Kong in July 2021.

Mr. SUNG obtained an executive master of business and administration degree from Antai College of Economics & Management, Shanghai Jiao Tong University (上海交通大學安泰經濟與管理學院) in the PRC in December 2011, completed the part-time postgraduate studies majoring in economic management from Party School of the Central Committee of CPC (中共中央黨校) in the PRC in January 1996 and obtained a bachelor's degree of machinery design and automation from Northeastern University (東北大學) (previously known as Northeastern Institute of Technology (東北工學院)) in the PRC in July 1993.

SENIOR MANAGEMENT

The members of the senior management team and details of each of their experience are as follows:

Mr. Bijoyesh Mookerjee, aged 60, joined the Group as Chief Medical Officer, Oncology in February 2022. He is responsible for overall clinical pipeline strategy and execution in oncology therapeutic areas and developing the company's global footprints and capabilities.

Mr. Mookerjee has over 30 years of clinical and medical experience in academia and the pharmaceutical industry. Before joining Simcere, from April 2017 to January 2022, he was Vice President and Senior Global Clinical Program Head in Oncology at Novartis Pharmaceutical Corporation ("**NPC**"), responsible for multiple cancer programs during development, regulatory submissions and interactions, reviews, external acquisitions, and clinical activities while building international partnerships with industry, academia, and collaborative clinical groups.

He also possesses prior leadership and scientific experience in global organizations and academia, including GlaxoSmithKline Pharmaceuticals Ltd., Incyte Corporation, AstraZeneca Pharmaceuticals L.P., Thomas Jefferson University Sidney Kimmel Cancer Center, University of Maryland Greenebaum Cancer Center, and the Johns Hopkins Oncology Center.

Mr. Mookerjee completed a fellowship in medical oncology at the National Cancer Institute, National Institutes of Health from July 1994 to June 1997, and a residency in internal medicine at the State University of New York, Downstate Medical Center from July 1991 to June 1994. He received his medical degree from Armed Forces Medical College, University of Pune in March 1987. He is board certified in internal medicine and medical oncology by The American Board of Internal Medicine (ABIM) in November 1994 and November 1997, respectively.

Mr. ZHOU Gaobo (周高波), aged 44, was appointed as Chief Investment Officer of the Company on January 17, 2022. He is primarily responsible for business investment, business development management, strategic planning, affairs in Hong Kong and investor relations management.

Mr. ZHOU has approximately 16 years of management consulting experience in the healthcare industry. He was a Partner of McKinsey & Company from January 2014 to January 2022, and was the joint head of McKinsey's Greater China Healthcare practice from October 2019 to January 2022. Prior to this, he had taken various positions, including a consultant, an Engagement Manager and an Associate Partner at McKinsey from July 2006 to December 2013. He worked with leading pharmaceutical, biotechnology, medical device, and life science investment companies on a broad range of topics in China Healthcare Reform and innovation, including strategy, business model innovation, digital transformation, and investment and partnership. He also built the largest healthcare management consulting team in the industry. Previously, he also worked at Human Genome Sciences (HGSI) in antibody and fusion protein drug development from July 2002 to July 2004.

Mr. Zhou graduated with a bachelor degree in genetics from Fudan University (復旦大學) in July 2000. He obtained a master of science degree in biochemistry from the University of Maryland (馬里蘭大學) in July 2002, as well as a master's degree in business administration from Duke University (杜克大學) in May 2006.

Mr. Tamas Oravecz, aged 59, joined the Group as the Senior Vice President, Chief Scientific Officer of Simcere of America Inc. in August 2022. Mr. Oravecz is responsible for discovery strategy formulation and execution in the United States, as well as strengthening and supervising the research and development capabilities of the entire pre-clinical process from concept and target verification to clinical application.

Mr. Oravecz has over 30 years of experience in the pharmaceutical industry. Before joining Simcere, he was the Chief Scientific Officer at Parthenon Therapeutics, leading research and development of new therapies for immune-excluded solid tumors. Prior to that, Mr. Oravecz was the Vice President and Global Head of the Cell Therapy Platform and Discovery at Janssen Biotherapeutics, Johnson & Johnson, Executive Director of Biology & Pharmacology of Celgene Corporation at Celgene Corporation (acquired by Bristol-Myers Squibb), and Vice President of Immunology and Oncology at Lexicon Pharmaceuticals Inc. In his early career, Mr. Oravecz served as the Program Head, HIV Therapy with Novartis Cell and Gene Therapy, Systemix, Inc. and Senior Scientist/Primary Reviewer with the National Institutes of Health/Food and Drug Administration.

Mr. Oravecz received his M.S. degree in Molecular Biology in 1988 and a Ph.D. degree in Immunology from the University of Szeged (塞格德大學) in Hungary in 1991. He completed four fellowships, including the Swiss Immunological Society (瑞士免疫學會), the European Association of Immunologists (歐洲免疫學家協會), the British Council Imperial Cancer Research Fund (英國帝國癌症研究基金會) and the Fogarty International Center of National Institutes of Health, United States (美國國立衛生研究院福格蒂國際中心).

Mr. ZHU Tong (朱彤), aged 44, joined the Group as the Senior Vice President in April 2022. He is mainly responsible for marketing of innovative drug management business of the Group.

From January 2002 to January 2019, Mr. ZHU was engaged in marketing and sales management in Sanofi (China) Investment Co.,Ltd., Beijing Novartis Pharma Ltd., and Sino-American Shanghai Squibb Pharmaceuticals Ltd. From January 2019 to March 2022. Mr. ZHU was in charge of the cardiovascular, renal and metabolic diseases business department at China Innovation Center of Astrazeneca Investment (China) Co., Ltd.

Mr. ZHU Tong graduated from Zhejiang University and obtained a bachelor's degree in pharmacy in July 2001.

Mr. Danny CHEN, aged 54, joined the Group as the Senior Vice President of the Company in February 2022. He is mainly responsible for the Company's management of translational science and neuroscience research, and in charge of clinical research institutes, as well as the formation and management of the R&D team of Beijing Innovation Center.

Mr. CHEN had engaged in clinical pharmacology and pharmaceutical research at Purdue Pharma L.P. from September 2002 to January 2005. From January 2005 to July 2020, he had been working as head of clinical pharmacology of Pfizer Inc. (US) Neuroscience and Internal Medicine Research Unit. Before joining the Group, Mr. CHEN was the senior vice president of SciNeuro Pharmaceuticals in charge of non-clinical and translational science from August 2020 to February 2022.

Mr. CHEN graduated with a bachelor's degree in chemistry from Whittier College in February 1995. He obtained the Ph.D. in pharmacology from Ohio State University in September 2002. He also held academic memberships in the American Association of Clinical Pharmacology and Therapeutics from 2004 to 2020, the American Conference on Pharmacometrics from 2011 to 2020 and the American Association of Pharmaceutical Sciences from 2001 to 2005.

Mr. Kevin OLIVER, aged 53, joined the Group in March 2020 and was appointed as the Senior Vice President on March 31, 2021. He is responsible for business development and alliance management in the United States.

Mr. OLIVER has over 30 years' of experience in the pharmaceutical industry, with 17 years of experience focusing on business development and acquisition management. From September 1990 to March 2005, he was responsible for target discovery and verification in Merck, Sharp & Dohme, Ltd. He was a negotiation manager, deputy director and senior director of Merck & Co., Inc., responsible for global business development and external research/ licensing and target acquisition from March 2005 to December 2010. From December 2010 to July 2014, he was an executive director of Merck & Co., Inc., responsible for the out-licensing and asset divestiture of global projects. Before joining Simcere, he was responsible for global business development and licensing/M&A and alliance management in Alcon, Inc. (Novartis AG.) as the global leader of BD&L External Alliances since July 2014.

Mr. OLIVER obtained his bachelor's degree in immunology from King's College London in July 1990 and a Ph.D. in pathology from Cambridge University in September 1995.

Ms. SONG Wenjie (宋文傑), aged 45, is the Senior Vice President of Simcere Zaiming Pharmaceutical Co., Ltd. (先聲再明醫藥有限公司), a subsidiary of the Company. Ms. SONG is responsible for the development of clinical study projects of the Group's innovative oncology medicines to enhance the clinical research and development capabilities of the Group.

Ms. SONG possesses extensive knowledge and experience in the research and development of innovative medicines as well as the management of clinical projects. She joined the Group and was appointed as the head of clinical development of the Company in July 2020. Ms. SONG resigned as the Senior Vice President of the Company on December 31, 2022, and was appointed as the Senior Vice President of Simcere Zaiming on January 1, 2023.

Prior to joining Simcere, she was the vice president of clinical development of CStone Pharmaceuticals from May 2018 to June 2020, and worked as translational medical expert and global clinical projects leader in Novartis (CNIBR) from May 2015 to April 2018. Prior to that, she held important positions in global pharmaceutical companies, such as the global clinical development team (CDT) of Johnson & Johnson Asia and the medical team of AstraZeneca. Before joining the pharmaceutical industry, she was a gynecological oncologist in Shanghai East Hospital.

From September 2001 to July 2004, Ms. SONG completed the gynecologic oncology research in the First Affiliated Hospital of Zhengzhou University (鄭州大學第一附屬醫院) and obtained a master's degree. From September 1996 to July 2001, she obtained a Bachelor's degree of clinical medicine in Zhengzhou University (鄭州大學).

Mr. CHENG Xianghua (程向華), aged 46, is a Vice President of the Company. He is primarily responsible for the marketing management of the Group's Neuroscience Business Units.

Mr. CHENG has over 20 years of experience with the Group where he gained rich experience in the management of the pharmaceutical industry. Mr. CHENG joined the Group in June 2000 and has held various positions within the Group since then, including the sales representative, manager, business director, general manager of business department, president assistant, and Vice President, successively. Mr. CHENG has also been the chairman of the board of Oy Simcere Europe Ltd. since June 2019, a director of Wuhu Simcere Zhongren Pharmaceutical Co., Ltd. (蕪湖先聲中人藥業有限公司) since July 2017, a director of Shanghai Simcere Pharmaceutical Co., Ltd. (上海先聲藥業有限公司) since January 2017, a director of Simcere Pharmaceutical since April 2020 and a director of Hainan Simcere since May 2020. In addition, Mr. CHENG served as a director of Xuancheng Menovo Pharmaceutical Co., Ltd. (宣城美諾華藥業有限公司) from July 2019 to September 2020.

Mr. CHENG graduated with a college diploma in pharmaceutical marketing from Anhui University of Chinese Medicine (安徽中醫藥大學) in July 1999. He is currently studying for the Executive Master of Business Administration (EMBA) program at China Europe International Business School.

Mr. QIAN Haibo (錢海波), aged 60, is a Vice President of the Company. He is primarily responsible for the management of the policy affairs department and public relations department.

Mr. QIAN has held senior management positions for almost 20 years within the Group. Mr. QIAN joined the Group in November 1994 and served successively as a department manager, director and assistant to general manager until May 2005. In December 2005, he became the secretary to the board of the Group and served in this position during the period when the Group listed on the NYSE. He successively served as the general manager and a director of the Company from October 2018 to November 2019. He has been a Vice President of the Group since January 2013, and was officially appointed as the Vice President of the Company on November 19, 2019. In addition, he also has been the director of Jiangsu Simcere since February 2011. Mr. QIAN has held directorships in several other companies, including Nanjing Bioheng Biotech Co., Ltd. (南京北恆生物科技有限公司) since June 2018 to March 2021, Beijing Yude Future Holdings Co., Ltd. (北京玉德未來控股有限公司) from November 2015 and Hainan Simcere BioSciKin Technology Development Co., Ltd. (海南先聲百家匯科技發展有限公司) since September 2014.

Mr. QIAN graduated with a bachelor's degree in law from Nanjing Normal University in June 1986. He obtained a degree of master of business administration from Nanjing University in December 2002 and a doctoral degree in social and administrative pharmacy from China Pharmaceutical University in June 2007. Mr. QIAN was certified as a senior economist at researcher level by Nanjing Office of Work Title (Professional Qualification) Work Leading Group (南京市職稱(職業資格)工作領導小組辦公室) in September 2008. Mr. QIAN holds a qualification certificate of national licensed pharmacist.

Mr. SHI Ruiwen (史瑞文), aged 57, joined the Group in November 2017 and was appointed as a Vice President of the Company on March 31, 2021, primarily responsible for the pharmaceutical business of the Company and the management of the Hainan Research Institute.

Mr. SHI has nearly 32 years of experience in pharmaceutical research and development and production management. From March 1990 to August 1996, he served as an assistant research professor and an associate research professor in the Institute of Biomedical Engineering of Chinese Academy of Medical Sciences (中國醫學科學院生物醫學工程研究所). From August 1996 to August 1997, as a visiting scholar, he conducted research in the Medical School of Kumamoto University. From August 2002 to September 2003, he served in Mannkind Corporation as a research and development scientist of the Formulation and Drug Delivery Science Department. He was a senior scientist of the Drug Delivery Systems and Formulation Development Department of Bausch + Lomb Inc. from September 2003 to September 2005, and a senior scientist in the Pre-formulation and Early Formulation Department of ALZA Corporation, a subsidiary of Johnson & Johnson from October 2005 to August 2007. From August 2007 to October 2017, he served as a senior scientist, a principal scientist (deputy director level) and a deputy director in the Formulation and Drug Delivery Department of Allergan Inc.

Mr. SHI joined the Group in November 2017. He served as the senior director of the pharmaceutical business department of the Group and the chief engineer of Simcere Pharmaceuticals from November 2017 to December 2018. From December 2018 to August 2019, he served as the executive director of the pharmaceutical business department of the Group and the vice dean of Nanjing Research Institute (南京研究院). From August 2019 to August 2020, he served as the general manager of Simcere Pharmaceuticals. Since November 2019, he has served as the Vice President of the Group.

Mr. SHI graduated with a bachelor's degree and a master's degree in Polymer Chemistry and Materials from Tianjin University (天津大學) in September 1987 and March 1990, respectively. Mr. SHI also obtained a Ph.D. in Pharmaceutical Sciences from the University of British Columbia in May 2003.

Mr. WANG Feng (王峰), aged 40, joined the Group in June 2007 and was appointed as a Vice President of the Company on March 31, 2021, primarily responsible for the management of the regulatory Science, intellectual property, Synergistic Innovation departments of the Company.

Mr. WANG has nearly 16 years of experience within the Group. He joined the Group in June 2007 and held various positions in the Group, including as a product manager of the marketing department from June 2007 to September 2010, a senior product manager of marketing department from September 2010 to August 2013, a product director of marketing department from August 2013 to January 2016, a general manager of the marketing department from January 2016 to August 2017, a senior director of pharmaceutical business department of the Group from August 2017 to January 2018, a senior director of regulations science department from January 2018 to December 2018, an executive director of regulations and intellectual property department (formerly known as the regulations science department) from December 2018 to May 2019, and a vice dean of Nanjing Research Institute from May 2019 to September 2020. Mr. WANG was appointed as Party Secretary and Vice President of the Group in September 2020.

Mr. WANG graduated from China Pharmaceutical University (中國藥科大學) with a bachelor's degree in bioengineering in July 2004, a master's degree in microbiology and biochemistry in June 2007 and a Ph. D. in social management pharmacy in 2018.

Joint Company Secretaries

Mr. WAN Yushan (萬玉山) was appointed as one of the joint company secretaries of the Company with effect from November 9, 2022. For more information in relation to Mr. WAN, please refer to "Biographies of Directors and Senior Management – Directors – Executive Directors" above.

Ms. MAK Po Man Cherie (麥寶文) was appointed as one of the joint company secretaries of the Company on September 17, 2020, which took effect on the same day.

Ms. MAK is the vice president of SWCS Corporate Services Group (Hong Kong) Limited. She has worked for various professional firms and listed companies in Hong Kong, with over 17 years of experience in the fields of audit, accounting, corporate finance, compliance and corporate secretarial. Ms. MAK obtained a Master of Corporate Governance degree from The Hong Kong Polytechnic University in 2017. She has been admitted as an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom in 2017, a member of the Hong Kong Institute of Certified Public Accountants in 2003 and a fellow member of the Association of Chartered Certified Accountants in 2006.

Independent auditor's report to the members of
Simcere Pharmaceutical Group Limited
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Simcere Pharmaceutical Group Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 105 to 209, which comprise the consolidated statement of financial position as at December 31, 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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 December 31, 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("**the Code**") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Refer to note 4 to the consolidated financial statements and the accounting policies on pages 134 to 136.

The Key Audit Matter	How the matter was addressed in our audit
The Group's revenue principally comprises sales of pharmaceutical products to the distributors and fee charged for provision of promotion service. The Group enters into framework distribution agreements with all distributors which specify the terms of sales relating to pricing, goods acceptance and return, as well as credit terms. The Group's distribution agreements do not permit sales returns except for where the products are defective, which is subject to approval by the Group's authorized personnel. For the promotion service, the Group renews the promotion service contracts entered into with pharmaceutical manufacturers annually which specifies the products to be promoted, the promotion period and intended activities. Revenue from the sale of pharmaceutical products is recognised at the point in time when the customer takes possession of and accepts the products. Promotion service income is recognised when the Group satisfies its promise to arrange for the pharmaceutical products to be provided by supplier to the customer.	Our audit procedures to assess the timing of revenue recognition included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition; • inspecting a sample of framework distribution agreements, purchase order and promotion service contracts with key customers to identify terms and conditions relating to goods or service acceptance and the right of return and assessing the Group's policies in respect of the timing of recognition of revenue with reference to the requirements of the prevailing accounting standards; • inspecting goods acceptance records or promotion service reconciliation records, on a sample basis, to assess whether revenue transactions recorded just before and after the financial year end date had been recognised in the appropriate financial period on the basis of the terms set out in the framework distribution agreements;

KEY AUDIT MATTERS - *continued*

Revenue Recognition

Refer to note 4 to the consolidated financial statements and the accounting policies on pages 134 to 136.

The Key Audit Matter	How the matter was addressed in our audit
We identified the timing of revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of the timing of recognition of revenue by management to meet specific targets or expectations.	• inspecting underlying documentation like reconciliation records, the list of dispatched but not accepted products for manual journal entries and adjustments relating to revenue recorded during the year which were considered to be material or met other specific risk-based criteria; and • inspecting actual sales returns and credit notes recorded after the financial year end and evaluating whether the related adjustments to revenue had been recorded in the appropriate financial period.

Loss allowances for trade receivables

Refer to note 35(a) to the consolidated financial statements and the accounting policies on pages 124 to 128.

The Key Audit Matter	How the matter was addressed in our audit
As at December 31, 2022, the gross amount of the Group's trade receivables totaled RMB1,871,314,000, against which a loss allowance of RMB24,675,000 for expected credit losses (ECL) was recorded. The Group's trade receivables mainly arose from sales of pharmaceutical products. The Group measures the loss allowance at an amount equal to the lifetime ECL of the trade receivables based on estimated loss rates for each category of trade receivables grouped according to the shared credit risk characteristics. The estimated loss rates take into account the ageing of trade receivable balances, the repayment history of the Group's customers, current market conditions and forward-looking information. Such assessment involves significant management judgement and estimation.	Our audit procedures to assess the timing of revenue recognition included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control, debt collection and estimating the credit loss allowance; • evaluating the Group's policy for estimating the credit loss allowance with reference to the requirements of the prevailing accounting standards; • assessing whether items were correctly categorised in the trade receivables ageing report by comparing individual items therein with sales invoices and other relevant underlying documentation, on a sample basis;

KEY AUDIT MATTERS - *continued*

Loss allowances for trade receivables

Refer to note 35(a) to the consolidated financial statements and the accounting policies on pages 124 to 128.

The Key Audit Matter	How the matter was addressed in our audit
We identified the expected credit loss allowance for trade receivables as a key audit matter because determining the level of the loss allowance requires the exercise of significant management judgement which is inherently subjective.	• obtaining an understanding of the key parameters and assumptions of the expected credit loss model adopted by the management, including the basis of segmentation of the accounts receivable based on credit risk characteristics of customers and the historical default data in management's estimated loss rates; • assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information; and • re-performing the calculation of the loss allowance as at December 31, 2022 based on the Group's credit loss allowance policies.

Fair value measurement for investments with no quoted market prices in active markets

Refer to note 35(e) to the consolidated financial statements and the accounting policies on pages 117 to 118.

The Key Audit Matter	How the matter was addressed in our audit
The Group made investments in a wide variety of investment funds and companies in healthcare sector to broaden the access to potential R&D collaboration opportunities.	Our audit procedures to assess the fair value of investments with no quoted market prices in active markets included the following: • obtaining an understanding of and assessing the design and implementation of key internal control relating to fair value measurement for investments with no quoted market prices on active markets; • obtaining confirmations directly from the investment fund managers to confirm the existence and the valuation of the Group's investments in the funds;

KEY AUDIT MATTERS - *continued*

Fair value measurement for investments with no quoted market prices in active markets

Refer to note 35(e) to the consolidated financial statements and the accounting policies on pages 117 to 118.

The Key Audit Matter	How the matter was addressed in our audit
Those qualified investments are accounted for as financial assets at fair value through profit or loss ("**FVPL**") or financial assets at fair value through other comprehensive income ("**FVOCI**") under IFRS 9 Financial Instruments. At December 31, 2022, the fair value of unlisted investments with no quoted market prices in active markets is RMB887,261,000, which were classified under the fair value hierarchy as level 3. The fair value of these investments with no quoted market prices in active markets are determined based on valuation techniques which require significant unobservable inputs. The investment funds have been valued based on valuations performed by the investment fund managers as at December 31, 2022. Investments in companies were assessed by the management primarily based on independent valuation reports prepared by a firm of qualified external valuers or recent market transactions. We identified the fair value measurement for these investments at reporting date as a key audit matter because judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof.	• comparing the net asset value of each fund as reported in the most recently available audited financial statements to the investment fund managers' original estimates of the investment valuation and assessing whether this has resulted in any material valuation adjustment; • for investment in companies, obtaining and inspecting the valuation assessment prepared by the external valuers engaged by the management and on which the assessment of the fair values of the Group's financial assets was based; • assessing the external valuers' qualifications, experience and expertise in the assets being valued and considering their objectivity; • with the assistance of our internal valuation specialists, on a sample basis, discussing with the external valuers, without the presence of management, and assessing their valuation methodologies in estimating the fair values of unlisted equity securities; assessing the key assumptions and critical judgements adopted and significant unobservable inputs used which impacted the valuation by comparing them with market data; • assessing whether the recent market transactions used by management to establish the fair value of investments are appropriate; and • assessing the reasonableness of the disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all 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 are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS - *continued*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS - *continued*

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 Fung Ping Kwong.

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

March 31, 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2022

(Expressed in Renminbi)

	NOTES	2022 RMB'000	2021 RMB'000
Revenue	4	**6,319,096**	4,999,718
Cost of sales		**(1,322,246)**	(1,079,983)
Gross profit		**4,996,850**	3,919,735
Other income	5(a)	**172,260**	149,510
Other net gain	5(b)	**254,264**	1,215,210
Research and development costs		**(1,728,269)**	(1,416,721)
Selling and distribution expenses		**(2,402,371)**	(2,036,705)
Administrative and other operating expenses		**(444,201)**	(366,657)
Reversal/(recognition) of impairment loss on trade and other receivables		**13,972**	(15,828)
Profit from operations		**862,505**	1,448,544
Finance income	6(a)	**59,867**	68,287
Finance costs	6(a)	**(34,408)**	(70,848)
Net finance income/(costs)		**25,459**	(2,561)
Share of profits/(losses) of associates	16	**115**	(43,916)
Share of profits/(losses) of a joint venture	17	**75**	(270)
Profit before taxation	6	**888,154**	1,401,797
Income tax	7	**40,478**	97,124
Profit for the year		**928,632**	1,498,921
Attributable to:			
Equity shareholders of the Company		**932,768**	1,507,096
Non-controlling interest		**(4,136)**	(8,175)
Profit for the year		**928,632**	1,498,921
Earnings per share	11		
Basic (RMB)		**0.36**	0.58
Diluted (RMB)		**0.36**	0.58

The notes on pages 113 to 209 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 31(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2022

(Expressed in Renminbi)

	NOTES	2022 RMB'000	2021 RMB'000
Profit for the year		928,632	1,498,921
Other comprehensive income for the year (after tax adjustments)	10		
Items that will not be reclassified to profit or loss:			
Financial assets at fair value through other comprehensive income (FVOCI) — net movement in fair value reserves (non-recycling), net of tax		(156,346)	16,372
Exchange difference on translation of financial statements		176,813	(59,356)
Other comprehensive income for the year		20,467	(42,984)
Total comprehensive income for the year		949,099	1,455,937
Attributable to:			
Equity shareholders of the Company		953,235	1,464,112
Non-controlling interest		(4,136)	(8,175)
Total comprehensive income for the year		949,099	1,455,937

The notes on pages 113 to 209 form part of these financial statements.

	NOTES	December 31, 2022 RMB'000	December 31, 2021 RMB'000
Non-current assets			
Property, plant and equipment	12	**2,135,781**	1,931,212
Intangible assets	13	**379,896**	59,691
Goodwill	14	**172,788**	172,788
Interest in an associate	16	**4,978**	4,863
Interest in a joint venture	17	**4,477**	4,402
Prepayments, deposits and other receivables	22	**97,470**	76,564
Financial assets at fair value through other comprehensive income	18	**137,774**	291,727
Financial assets at fair value through profit or loss	19	**2,056,700**	1,940,375
Time deposits	23(c)	**10,752**	410,000
Deferred tax assets	28(b)	**326,713**	289,972
		5,327,329	5,181,594
Current assets			
Inventories	20	**302,373**	235,157
Trade and bills receivables	21	**2,337,443**	2,398,767
Prepayments, deposits and other receivables	22	**165,698**	140,034
Taxation recoverable	28(a)	**6,506**	16,789
Pledged deposits	23(b)	**560**	1,580
Restricted deposits	23(b)	**19,378**	4,005
Time deposits	23(c)	**964,226**	1,210,078
Cash and cash equivalents	23(a)	**1,657,600**	973,139
		5,453,784	4,979,549
Current liabilities			
Bank loans	24	**1,292,067**	1,530,085
Lease liabilities	25	**58,756**	31,558
Trade and bills payables	26	**334,444**	323,951
Other payables and accruals	27	**1,267,899**	1,162,014
Taxation payable	28(a)	**10,562**	16,155
		2,963,728	3,063,763
Net current assets		**2,490,056**	1,915,786
Total assets less current liabilities		**7,817,385**	7,097,380

The notes on pages 113 to 209 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi)

	NOTES	December 31, 2022 RMB'000	December 31, 2021 RMB'000
Non-current liabilities			
Lease liabilities	25	**155,921**	74,239
Deferred income	29	**403,350**	417,613
Deferred tax liabilities	28(b)	**115,291**	142,771
		674,562	634,623
NET ASSETS		**7,142,823**	6,462,757
CAPITAL AND RESERVES			
Share capital	31	**3,081,131**	3,002,871
Reserves	31	**4,045,630**	3,434,126
Total equity attributable to equity shareholders of the Company		**7,126,761**	6,436,997
Non-controlling interest		**16,062**	25,760
TOTAL EQUITY		**7,142,823**	6,462,757

Approved and authorised for issue by the board of directors on March 31, 2023.

Ren Jinsheng
Director

Wan Yushan
Director

The notes on pages 113 to 209 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2022

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company								
	NOTES	Share capital RMB'000	Other reserve RMB'000	PRC statutory reserve RMB'000	Exchange reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
Balance at January 1, 2021		3,002,871	61,261	536,899	(61,785)	152,005	1,610,538	5,301,789	33,935	5,335,724
Changes in equity for 2021:										
Profit for the year		–	–	–	–	–	1,507,096	1,507,096	(8,175)	1,498,921
Other comprehensive income	10	–	–	–	(59,356)	16,372	–	(42,984)	–	(42,984)
Total comprehensive income		–	–	–	(59,356)	16,372	1,507,096	1,464,112	(8,175)	1,455,937
Appropriation of reserve	31(d)(ii)	–	–	155,296	–	–	(155,296)	–	–	–
Disposal of financial assets at fair value through other comprehensive income		–	–	–	–	(30,927)	30,927	–	–	–
Equity settled share-based transactions	30	–	62,392	–	–	–	–	62,392	–	62,392
Appropriation of dividends	31(b)	–	–	–	–	–	(391,296)	(391,296)	–	(391,296)
Balance at December 31, 2021		3,002,871	123,653	692,195	(121,141)	137,450	2,601,969	6,436,997	25,760	6,462,757

The notes on pages 113 to 209 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2022

(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company								
		Share capital RMB'000	Other reserve RMB'000	PRC statutory reserve RMB'000	Exchange reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
Balance at January 1, 2022		3,002,871	123,653	692,195	(121,141)	137,450	2,601,969	6,436,997	25,760	6,462,757
Changes in equity for 2022:										
Profit for the year		–	–	–	–	–	932,768	932,768	(4,136)	928,632
Other comprehensive income	10	–	–	–	176,813	(156,346)	–	20,467	–	20,467
Total comprehensive income		–	–	–	176,813	(156,346)	932,768	953,235	(4,136)	949,099
Appropriation of reserve	31(d)(ii)	–	–	82,193	–	–	82,193	–	–	–
Acquisition of non-controlling interest		–	(10,465)	–	–	–	–	(10,465)	(5,562)	(16,027)
Equity settled share-based transactions	30	–	138,290	–	–	–	–	138,290	–	138,290
Vesting of restricted shares	31(c)	78,260	(78,260)	–	–	–	–	–	–	–
Appropriation of dividends	31(b)	–	–	–	–	–	(391,296)	(391,296)	–	(391,296)
Balance at December 31, 2022		3,081,131	173,218	774,388	55,672	(18,896)	3,061,248	7,126,761	16,062	7,142,823

The notes on pages 113 to 209 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2022

(Expressed in Renminbi)

	NOTES	2022 RMB'000	2021 RMB'000
Operating activities			
Cash generated from/(used in) operations	23(d)	**1,347,616**	(187,270)
Tax refund/(paid)	28(a)	**7,096**	(14,700)
Net cash generated from/(used in) operating activities		**1,354,712**	(201,970)
Investing activities			
Payment for the acquisition of property, plant and equipment		**(342,815)**	(209,488)
Proceeds from disposal of property, plant and equipment		**273**	5,906
Payment for the acquisition of intangible assets		**(335,190)**	—
Proceeds from disposal of financial assets at fair value through other comprehensive income		**—**	55,139
Payment for acquisition of financial assets measured at fair value through other comprehensive income		**(30,000)**	—
Dividends received from financial assets at fair value through profit or loss		**195,928**	289,432
Proceeds from disposal of financial assets measured at fair value through profit or loss		**124,287**	392,471
Payment for acquisition of financial assets measured at fair value through profit or loss		**(271,106)**	(469,324)
Decrease/(increase) in time deposits		**700,000**	(1,020,078)
Payment for acquisition of interest in associates		**—**	(53,053)
Payment for deposits for investment		**(43,680)**	—
Proceeds from disposal of subsidiaries		**—**	97,699
Proceeds from trading securities		**—**	3,514
Loans repaid by related parties		**—**	445,830
Interest received		**70,609**	26,449
Net cash generated from/(used in) investing activities		**68,306**	(435,503)

The notes on pages 113 to 209 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2022

(Expressed in Renminbi)

	NOTES	2022 RMB'000	2021 RMB'000
Financing activities			
Capital element of lease rentals paid	23(e)	**(49,146)**	(41,359)
Interest element of lease rentals paid	23(e)	**(6,754)**	(6,984)
Proceeds from new bank loans	23(e)	**916,932**	1,027,150
Repayment of bank loans	23(e)	**(1,184,161)**	(2,463,778)
Interest paid	23(e)	**(23,229)**	(63,864)
Decrease in pledged deposits for bank loans		**—**	315,600
Acquisition of non-controlling interest	15	**(16,027)**	—
Dividends paid to equity shareholders of the Company	31(b)	**(391,296)**	(391,296)
Net cash used in financing activities		**(753,681)**	(1,624,531)
Net increase/(decrease) in cash and cash equivalents		**669,337**	(2,262,004)
Cash and cash equivalents at the beginning of the year	23(a)	**973,139**	3,270,241
Effect of foreign exchange rate changes		**15,124**	(35,098)
Cash and cash equivalents at the end of the year	23(a)	**1,657,600**	973,139

The notes on pages 113 to 209 form part of these financial statements.

1 GENERAL INFORMATION

Simcere Pharmaceutical Group Limited (the "**Company**") was incorporated in Hong Kong on November 30, 2015 as a limited liability company with its registered office at 43/F, AIA Tower, 183 Electric Road, North Point, Hong Kong. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on October 27, 2020. The Company is an investment holding company. The Company and its subsidiaries (together, "**the Group**") are principally engaged in the research and development, manufacturing and sales of pharmaceutical products as well as rendering promotion service of pharmaceutical products that are not manufactured by the Group.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKAS**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements of the Group for the year ended December 31, 2022 comprise the Company and its subsidiaries and the Group's interest in an associate and a joint venture.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the certain assets and liabilities are stated at their fair value as explained in the accounting policies as set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2 SIGNIFICANT ACCOUNTING POLICIES - *continued*

(b) Basis of preparation of the financial statements - *continued*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries and non-controlling interest

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

2 SIGNIFICANT ACCOUNTING POLICIES - *continued*

(d) Subsidiaries and non-controlling interest - *continued*

Non-controlling interest represents the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interest either at fair value or at the non-controlling interest's proportionate share of the subsidiary's net identifiable assets.

Non-controlling interest is presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interest in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interest and the equity shareholders of the Company. Loans from holders of non-controlling interest and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2(p) or (q) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interest within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(k)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2 SIGNIFICANT ACCOUNTING POLICIES - *continued*

(e) Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(k)(ii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognized in the consolidated statements of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the consolidated statements of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealized profits and losses resulting from transactions between the Group and the associates or the joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(g)).

2 SIGNIFICANT ACCOUNTING POLICIES - *continued*

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(k)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 35(e). These investments are subsequently accounted for as follows, depending on their classification.

2 SIGNIFICANT ACCOUNTING POLICIES - *continued*

(g) Other investments in debt and equity securities - *continued*

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(u)(ii)(b)).

— fair value through other comprehensive income (FVOCI) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognized in profit or loss as other net gain in accordance with the policy set out in Note 2(u)(ii)(d).

2 SIGNIFICANT ACCOUNTING POLICIES - *continued*

(h) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(k)(ii)):

— right-of-use assets arising from leasehold properties where the Group is not the registered owner of the property interest; and

— items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see Note 2(j)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of overheads and borrowing costs (see Note 2(w)).

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

	Estimated useful life
Leasehold land (see Note 2(j))	over the period of leases
Plant and buildings	10–20 years or unexpired lease terms
Machinery and equipment	3–10 years
Furniture, fixtures and office equipment	3–5 years
Motor vehicles	5–10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES - *continued*

(h) Property, plant and equipment - *continued*

Construction in progress represents properties under construction and machinery and equipment pending installation and is stated at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value) less impairment losses (see Note 2(k)(ii)). Cost comprises the purchase costs of the asset and the related construction and installation costs.

Construction in progress is transferred to property, plant and equipment when the asset is ready for its intended use and depreciation will be provided at the appropriate rates in accordance with the depreciation polices specified above.

No depreciation is provided in respect of construction in progress.

(i) Intangible assets (other than goodwill)

(i) Research and development expenditures

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalized includes the costs of materials, direct labour, and an appropriate proportion of overheads. Other development expenditure is recognized as an expense in the period in which it is incurred.

(ii) Intangible assets acquired through business combinations

The developed technology, Good Supply Practice ("GSP") licenses and product trademarks of the Group are associated with different products arising from various business combinations and acquisitions from third parties. These intangible assets that are acquired by the Group are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see Note 2(k)(ii)).

Amortization of these intangible assets is charged to profit or loss on a straight-line basis from the date they are available for use over the assets' estimated useful lives as follows:

	Estimated useful Lives
Developed technology	10 - 16 years
GSP licenses	3 - 5 years
Product trademarks	6 - 10 years

2 SIGNIFICANT ACCOUNTING POLICIES - *continued*

(i) Intangible assets (other than goodwill) - *continued*

(ii) Intangible assets acquired through business combinations - continued

The useful lives of developed technology and product trademarks are estimated based on the remaining period of economic benefits to be derived from the respective products to be produced relying on the acquired developed technology and product trademarks. The Group estimates the period of economic benefits to be derived from the respective products based on the expected time period required for a pharmaceutical drug development from its discovery to commercialization and other factors, including the patent protection period, the historical life of similar products, the characteristics of such technologies, their update frequency and market requirement and competition.

The Group considers that the maximum economic useful life of developed technology and product trademarks held by the Group is 16 years and 10 years, respectively. As the different products have different commercialization commencement dates, acquisition dates by the Group and the expected lifespan of economic benefits, the useful life of the Group's developed technology and product trademarks varies at a range of 10 - 16 and 6 - 10 years, respectively. The useful lives of GSP licenses are estimated based on the remaining valid period of the GSP licenses.

(iii) Intangible assets not ready for use

The exclusive commercialization right and in-licensed right are associated with different innovative drugs under development, separately acquired from third parties. These intangible assets that are acquired by the Group are measured at cost on initial recognition.

The amortization of exclusive commercialization right and in-licensed right will commence from the date when the underlying products are put into commercial production. These intangible assets not ready for use will not be amortized but tested for impairment annually either individually or at the cash generating unit level. Intangible assets are not amortized while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortization of intangible assets with finite lives as set out above.

Both the period and method of amortization are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES - *continued*

(j) Leased assets

At inception of a contract, the Group assesses whether the 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(h) and 2(k)(ii)).

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortized cost (see Notes 2(g)(i), 2(u)(ii)(b) and 2(k)(i)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

2 SIGNIFICANT ACCOUNTING POLICIES - *continued*

(j) Leased assets - *continued*

(i) As a lessee - continued

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The Group presents right-of-use assets in 'property, plant and equipment' and presents 'lease liabilities' separately in the consolidated statement of financial position.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

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. The rental income from operating leases is recognized in accordance with Note 2(u)(ii)(a).

2 SIGNIFICANT ACCOUNTING POLICIES - *continued*

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognizes a loss allowance for expected credit losses (ECLs) on financial assets measured at amortized cost (including cash and cash equivalents, trade and other receivables and loans to related parties and third parties).

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

2 SIGNIFICANT ACCOUNTING POLICIES - *continued*

(k) Credit losses and impairment of assets - *continued*

(i) Credit losses from financial instruments - continued

Measurement of ECLs - *continued*

Loss allowances for trade and other receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is twelve months past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

2 SIGNIFICANT ACCOUNTING POLICIES - *continued*

(k) Credit losses and impairment of assets - *continued*

(i) Credit losses from financial instruments - continued

Significant increases in credit risk - *continued*

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognized in accordance with Note 2(u)(ii)(b) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

2 SIGNIFICANT ACCOUNTING POLICIES - *continued*

(k) Credit losses and impairment of assets - *continued*

(i) Credit losses from financial instruments - continued

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets;
- intangible assets;
- goodwill;
- interest in associates and joint ventures; and
- interest in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment:

- **Calculation of recoverable amount**

  The recoverable amount of an asset is the greater of its fair value less costs of sale and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

2 SIGNIFICANT ACCOUNTING POLICIES - *continued*

(k) Credit losses and impairment of assets - *continued*

(ii) Impairment of other non-current assets - continued

— **Recognition of impairment losses**

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use (if determinable).

— **Reversals of impairment losses**

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2 SIGNIFICANT ACCOUNTING POLICIES - *continued*

(l) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of work in progress, costs include direct labour and appropriate share of overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

A right to recover returned goods is recognised for the right to recover products from customers sold with a right of return. It is measured in accordance with the policy set out in Note 2(u).

(m) Contract liabilities

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see Note 2(u)). A contract liability would also be recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized (see Note 2(n)).

(n) Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortized cost, using the effective interest method and including an allowance for credit losses (see Note 2(k)(i)).

2 SIGNIFICANT ACCOUNTING POLICIES - *continued*

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(k)(i).

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with the Group's accounting policy for borrowing costs (see Note 2(w)).

(q) Trade and other payables

Trade and other payables are initially recognized at fair value. Subsequent to initial recognition, trade and other payables are stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amount.

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to local retirement schemes pursuant to the relevant labor rules and regulations in the jurisdictions in which the Group's subsidiaries located are recognized as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognized as an expense.

2 SIGNIFICANT ACCOUNTING POLICIES - *continued*

(r) Employee benefits - *continued*

(ii) Share-based payments

Restricted shares

The fair value of share-based payment awards (i.e. restricted shares) granted to employees is recognized as an employee cost with a corresponding increase in other reserve within equity. The fair value of the restricted shares is measured at grant date by reference to the market price or the valuer's valuation of the underlying shares. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the restricted shares, the total estimated fair value of the restricted shares is spread over the vesting period, taking into account the probability that the restricted shares will vest.

During the vesting period, the number of restricted shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the other reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of restricted shares that vest (with a corresponding adjustment to the other reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognized in the other reserve until the restricted shares are vested (when it is included in the amount recognised in share capital for the shares issued).

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous years.

2 SIGNIFICANT ACCOUNTING POLICIES - *continued*

(s) Income tax - *continued*

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

2 SIGNIFICANT ACCOUNTING POLICIES - *continued*

(s) Income tax - *continued*

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(t) Provisions and contingent liabilities

Provisions are recognized when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognized for any expected reimbursement that would be virtually certain. The amount recognized for the reimbursement is limited to the carrying amount of the provision.

2 SIGNIFICANT ACCOUNTING POLICIES - *continued*

(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets in the ordinary course of the Group's business.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

(a) Sale of pharmaceutical products

The Group enters into framework distribution agreements with all distributors which specify the terms of sales relating to pricing, goods acceptance and return, as well as credit terms. The Group's distribution agreements do not permit sales returns except for where the products are defective, which is subject to approval by the Group's quality control team. Revenue is recognized when the customer takes possession of and accepts the products. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers, but the Group generally provides credit terms to customers within 30 to 90 days upon customer acceptance. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

(b) Promotion service income

Promotion service income is recognized when the Group satisfies its promise to arrange for the pharmaceutical products to be provided by supplier to the customer.

2 SIGNIFICANT ACCOUNTING POLICIES - *continued*

(u) Revenue and other income - *continued*

(i) Revenue from contracts with customers - continued

(c) License income

When the Group grants a license of its intellectual property to customers in a contract bundled with other promised goods or services, it determines whether the license is a distinct performance obligation by assessing whether the customer can benefit from the license on its own or together with other readily available resources and the license is separately identifiable from other goods and services in the contract. The Group considers relevant factors such as whether the other promised services (e.g. manufacturing) are highly specialized or unique for the customer to realize the benefits from the license and whether the Group would be able to fulfil its promise to transfer the license independently of fulfilling its promise to subsequently provide other goods or services.

The Group further assesses whether the nature of promise is to provide the customer with a right to use the underlying intellectual property as it exists at the point in time at which the license is granted, or a right to access the underlying intellectual property as it exists throughout the license period. In considering whether license revenue is recognized at a point in time or over time, the Group considers its involvement and activities that it has promised to undertake during the licensing period and the corresponding impact on the customer.

When the licensing arrangement contains variable consideration other than a sales-based or usage-based royalty – such as development and/or regulatory milestone payments from the licensee, the amount is estimated using the most likely method based on whether the milestones are considered probable of being achieved and included in the transaction price to the extent that it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Milestone payments subject to uncertainties that are outside the control of the Group or the licensee, such as regulatory approvals, are generally constrained until the required approvals are obtained. The estimated variable consideration is updated at each reporting date to reflect the current facts and circumstances.

Sales-based or usage-based royalties (including milestone payments based on the level of sales) are only recognized when (or as) the latter of two events occurs: (i) the occurrence of subsequent sale or usage, and (ii) the (partial) satisfaction of the performance obligation to which some or all of the sales- or usage-based royalty has been allocated.

2 SIGNIFICANT ACCOUNTING POLICIES - *continued*

(u) Revenue and other income - *continued*

(ii) Revenue from other sources and other income

(a) Rental income from operating leases

Rental income receivable under operating leases is recognized in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable.

(b) Interest income

Interest income is recognized as it accrues using the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

(c) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are presented in the consolidated statements of financial position by setting up the grant as deferred income and consequently are effectively recognized in profit or loss on a systematic basis over the useful life of the asset.

(d) Dividends

Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established.

2 SIGNIFICANT ACCOUNTING POLICIES - *continued*

(v) Translation of foreign currencies

Foreign currency transactions are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognizes such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

(w) Borrowing costs

Borrowing costs that directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 SIGNIFICANT ACCOUNTING POLICIES - *continued*

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

(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 Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 SIGNIFICANT ACCOUNTING POLICIES - *continued*

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Key sources of estimation uncertainty

Notes 14, 18, 19, 30 and 35(e) contain information about the assumptions and their risk factors relating to goodwill impairment, fair value of financial assets and fair value of restricted shares granted. Other key sources of estimation uncertainty are as follows:

(i) Impairments of non-financial assets

If circumstances indicate that the carrying value of an asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognized in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

(ii) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net assets value. The Group reassesses these estimates annually.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES - *continued*

Key sources of estimation uncertainty - *continued*

(iii) Impairment of trade and other receivables

The Group estimates the amount of loss allowance for ECLs on trade and other receivables that are measured at amortized cost based on the credit risk of the respective financial instruments. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by business lines is as follows:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of pharmaceutical products	**5,612,064**	4,592,371
Promotion service income	**601,487**	407,347
License income	**105,545**	—
	6,319,096	4,999,718

The Group's revenue from contracts with customers was recognized at point in time for the year ended December 31, 2022.

The Group's customer base is diversified and nil (2021: nil) customers with whom transactions have exceeded 10% of the Group's revenues for the year ended December 31, 2022. Details of concentrations of credit risk arising from the customers are set out in Note 35(a).

4 REVENUE AND SEGMENT REPORTING - *continued*

(a) Revenue - *continued*

(ii) Revenue expected to be recognized in the future arising from contracts with customers in existence at the reporting date

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for goods such that information about revenue expected to be recognized in the future is not disclosed in respect of revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of goods that had an expected duration of one year or less.

(b) Segment reporting

Operating segments are identified on the basis of internal reports that the Group's most senior executive management reviews regularly in allocating resources to segments and in assessing their performances.

The Group's most senior executive management makes resources allocation decisions based on internal management functions and assess the Group's business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

HKFRS 8, Operating Segments, requires identification and disclosure of information about an entity's geographical areas, regardless of the entity's organization (i.e. even if the entity has a single reportable segment). The Group operates within one geographical location because primarily all of its revenue was generated in the PRC and primarily all of its non-current operating assets and capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

5 OTHER INCOME AND OTHER NET GAIN

(a) Other income

	2022 RMB'000	2021 RMB'000
Government grants (Note)	125,172	96,214
Rental income	17,738	17,350
Property management income	11,573	9,519
Consulting and technology service income	6,682	7,837
Others	11,095	18,590
	172,260	149,510

Note:

During the year ended December 31, 2022, the Group received unconditional government grants of RMB80,130,000 (2021: RMB57,687,000) as rewards of the Group's contribution to technology innovation and regional economic development.

During the year ended December 31, 2022, the Group received conditional government grants of RMB1,927,000 (2021: RMB nil) as subsidies for construction and equipment and recognized such grants of RMB33,894,000 (2021: RMB32,477,000) in the consolidated statements of profit or loss when related conditions were satisfied. During the year ended December 31, 2022, the Group received conditional government grants of RMB32,942,000 (2021: RMB8,189,000) as encouragement of technology research and development and recognized such type of grants of RMB11,148,000 (2021: RMB6,050,000) in the consolidated statements of profit when related conditions were satisfied.

(b) Other net gain

	2022 RMB'000	2021 RMB'000
Net foreign exchange (loss)/gain	(57,215)	116,009
Net (loss)/gain on disposal of property, plant and equipment	(10,571)	2,685
Net realized loss on trading securities	—	(119)
Net realized and unrealized gains on financial assets at fair value through profit or loss	113,112	382,849
Indemnity from contract termination	208,938	—
Net gain arising from fair value remeasurement of interest in former associates	—	314,456
Net gain on disposal of interest in subsidiaries	—	399,330
	254,264	1,215,210

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Net finance (income)/costs

	2022 RMB'000	2021 RMB'000
Interest income from bank deposits	(59,867)	(68,287)
Finance income	(59,867)	(68,287)
Interest expenses on bank loans	27,654	63,864
Interest expenses on lease liabilities	6,754	6,984
Finance costs	34,408	70,848
Net finance (income)/costs	(25,459)	2,561

(b) Staff costs

	2022 RMB'000	2021 RMB'000
Salaries, wages and other benefits	1,903,727	1,498,480
Contributions to defined contribution retirement plans (Note)	95,265	69,769
Equity settled share-based payment expenses (Note 30)	138,290	62,392
	2,137,282	1,630,641

Note:

Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement plans administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the plan to fund the retirement benefits of the employees.

The Group's contributions to the defined contribution retirement plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions. The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

6 PROFIT BEFORE TAXATION - *continued*

(c) Other items

	2022 RMB'000	2021 RMB'000
Cost of inventories recognized as expenses (Note i)	879,438	763,015
Depreciation charge		
— owned property, plant and equipment	208,317	189,120
— right-of-use assets	59,626	45,270
Amortization of intangible assets	14,985	17,417
Research and development costs (Note ii)	1,728,269	1,416,721
(Reversal)/recognition of impairment loss on trade and other receivables	(13,972)	15,828
Auditors' remuneration		
— audit services	4,000	4,000
— non-audit services	294	241

Notes:

(i) Cost of inventories recognized as expenses includes amounts relating to staff costs, depreciation and amortization expenses, which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

(ii) Research and development costs include amounts relating to staff costs, depreciation and amortization expenses, which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss represents:

	2022 RMB'000	2021 RMB'000
Current tax		
PRC Corporate Income Tax		
Provision for the year	11,262	17,858
(Over)/under-provision in respect of prior years (Note 7(b))	(13,677)	4,791
	(2,415)	22,649
Overseas Corporate Income Tax		
Provision for the year	9	7,294
Deferred tax		
Origination and reversal of temporary differences (Note 28(b))	(38,072)	(127,067)
Total income tax	(40,478)	(97,124)

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS - *continued*

(a) Taxation in the consolidated statements of profit or loss represents: - *continued*

Notes:

(i) Pursuant to the income tax rules and regulations of Hong Kong, the Company and the subsidiary in Hong Kong were liable to the Hong Kong Profits Tax at a rate of 16.5% during the year ended December 31, 2022 and 2021.

(ii) The PRC subsidiaries of the Group are subject to PRC Corporate Income Tax ("**CIT**") at a statutory rate of 25%, except for the following specified subsidiaries:

According to the Administrative Measures for Determination of High-Tech Enterprises (Guokefahuo [2016] No. 32), Hainan Simcere Pharmaceutical Co., Ltd. ("**Hainan Simcere**") obtained the qualification as a high-tech enterprise and was entitled to a preferential income tax rate of 15% for the years from 2020 to 2022.

Shandong Simcere Biopharmaceutical Co., Ltd. ("**Shandong Simcere**") obtained the qualification as a high-tech enterprise and was entitled to a preferential income tax rate of 15% for the years from 2020 to 2022.

Wuhu Simcere Zhongren Pharmaceutical Co., Ltd. ("**Wuhu Simcere**") obtained the qualification as a high-tech enterprise and was entitled to a preferential income tax rate of 15% for the years from 2020 to 2022.

Simcere Pharmaceutical Co., Ltd. ("**Simcere Pharmaceutical**", formerly known as Nanjing Simcere Dongyuan Pharmaceutical Co., Ltd.) obtained the qualification as a high-tech enterprise and was entitled to a preferential income tax rate of 15% for the years from 2021 to 2023.

According to the prevailing PRC CIT law and its relevant regulations, non-PRC tax resident enterprises are levied withholding tax on dividends from their PRC resident investees for intra-group earnings accumulated beginning on January 1, 2008, at 10% (unless reduced by tax treaties or similar arrangements). Undistributed earnings generated prior to 2008 are exempt from such withholding tax. Under the arrangement between the Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and its relevant regulations, dividends paid by a PRC resident enterprise to its direct holding company in Hong Kong will be subject to withholding tax at a reduced rate of 5% (if the Hong Kong investor is the "beneficial owner" and owns directly at least 25% of the equity interest of the PRC resident enterprise for the past twelve months before the dividends distribution).

(iii) Pursuant to the income tax rules and regulations of the United States, the Group's subsidiaries in the United States were liable to United States federal income tax at a rate of 21% plus the state income tax determined by income ranges during the year ended December 31, 2022 and 2021.

(iv) Pursuant to the income tax rules and regulations of the United Kingdom, the Group's subsidiary in the United Kingdom was liable to the United Kingdom corporation tax at a rate of 19% during the year ended December 31, 2022 and 2021.

(v) Pursuant to the income tax rules and regulations of Finland, the Group's subsidiary in Finland was liable to Finnish income tax at a rate of 20% during the year ended December 31, 2022 and 2021.

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS - *continued*

(b) Reconciliation between tax benefit and profit before taxation at applicable tax rates:

	2022 RMB'000	2021 RMB'000
Profit before taxation	**888,154**	1,401,797
Notional tax on profit before taxation, calculated using the PRC statutory tax rate of 25%	**222,039**	350,449
Tax effect of different tax rates	**(87,066)**	(155,513)
Tax effect of withholding tax	**11,070**	—
Tax effect of non-deductible expenses (Note i)	**45,292**	19,708
Tax effect of non-taxable income (Note ii)	**(3,875)**	(148,112)
Tax effect of tax losses not recognized	**22,784**	21,366
Tax effect of temporary differences not recognized	**—**	61
Tax effect of bonus deduction for research and development costs	**(207,242)**	(164,848)
Tax effect of change in tax rates	**(745)**	(4,426)
Tax effect of previously unrecognized tax losses now recognised	**(3,156)**	(9,695)
Tax effect of previously unrecognized temporary differences now utilized	**(22,168)**	(20,858)
(Reversal)/provision of withholding tax on undistributed profits	**(4,402)**	9,872
(Over)/under-provision in prior years	**(13,677)**	4,791
Derecognition of deferred tax assets recognized in prior years	**668**	81
Actual tax benefit	**(40,478)**	(97,124)

Notes:

(i) Tax effect of non-deductible expenses mainly represented the tax effect of equity settled share-based payment expenses, losses on financial assets with capital in nature, expenses incurred by entities without assessable profits and other non-deductible expenses and tax effect of net realized and unrealized loss on financial assets of FVPL which is not subject to deduction under Hong Kong profit tax.

(ii) Tax effect of non-taxable income mainly represented the tax effect of gain on disposal of interest in subsidiaries and interest income, which are not subject to Hong Kong profit tax.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-Total RMB'000	Share-based payments (Note) RMB'000	2022 Total RMB'000
Executive directors							
Ren Jinsheng	–	2,044	781	65	2,890	–	2,890
Wan Yushan	–	1,282	5,595	39	6,916	4,339	11,255
Tang Renhong	–	2,842	10,555	39	13,436	6,791	20,227
Non-Executive director							
Zhao John Huan (resigned on August 31, 2022)	–	–	–	–	–	–	–
Independent non-executive directors							
Wang Xinhua	360	–	–	–	360	–	360
Song Ruilin	360	–	–	–	360	–	360
Wang Jianguo	360	–	–	–	360	–	360
	1,080	6,168	16,931	143	24,322	11,130	35,452

8 DIRECTORS' EMOLUMENTS - *continued*

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-Total RMB'000	Share-based payments (Note) RMB'000	2021 Total RMB'000
Executive directors							
Ren Jinsheng	–	1,508	360	45	1,913	–	1,913
Wan Yushan	–	1,070	1,360	35	2,465	4,295	6,760
Zhang Cheng (resigned on March 31, 2021)	–	856	560	9	1,425	–	1,425
Tang Renhong	–	2,029	2,606	3	4,638	5,910	10,548
Non-Executive director							
Zhao John Huan	–	–	–	–	–	–	–
Independent non-executive directors							
Wang Xinhua	360	–	–	–	360	–	360
Song Ruilin	360	–	–	–	360	–	360
Wang Jianguo	360	–	–	–	360	–	360
	1,080	5,463	4,886	92	11,521	10,205	21,726

All the executive directors are key management personnel of the Group for the year ended December 31, 2022 and their remuneration disclosed above include those for services rendered by them as key management personnel.

Note:

These represent the estimated value of restricted shares granted to the directors under the Company's share incentive scheme. The value of these restricted shares is measured according to the Group's accounting policies for share-based payment transactions and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of restricted shares granted, are disclosed in Note 30.

Apart from the above, no transaction, arrangement or contract of significance to which the Company was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2021: two) are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	10,606	9,047
Discretionary bonuses	6,772	5,657
Retirement scheme contributions	187	66
Share-based payments	12,031	5,136
	29,596	19,906

The emoluments of the three (2021: three) individuals with the highest emoluments are within the following bands:

	2022 Number of individuals	2021 Number of individuals
HKD6,000,001 to HKD6,500,000	—	1
HKD9,000,001 to HKD9,500,000	—	2
HKD9,500,001 to HKD10,000,000	1	—
HKD11,000,001 to HKD11,500,000	1	—
HKD12,000,001 to HKD12,500,000	1	—

10 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	Exchange differences on translation of financial statements RMB'000	Financial assets at fair value through other comprehensive income – net movement in fair value reserves (non-recycling) RMB'000	Total RMB'000
For the year ended December 31, 2021			
Before-tax amount	(59,356)	19,212	(40,144)
Tax expense	—	(2,840)	(2,840)
Net-of-tax amount	(59,356)	16,372	(42,984)
For the year ended December 31, 2022			
Before-tax amount	**176,813**	**(183,953)**	**(7,140)**
Tax expense	**—**	**27,607**	**27,607**
Net-of-tax amount	**176,813**	**(156,346)**	**20,467**

(Expressed in Renminbi)

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB932,768,000 (2021: RMB1,507,096,000) and the weighted average of 2,611,171,592 ordinary shares (2021: 2,608,641,618) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2022	2021
Issued ordinary shares at January 1	**2,628,290,618**	2,608,641,618
Effect of ordinary shares issued (Note 31(c))	**17,704,132**	5,844,000
Effect of unvested shares under 2021 RSU Scheme (Note 30)	**(34,823,158)**	(5,844,000)
Weighted average number of ordinary shares at December 31	**2,611,171,592**	2,608,641,618

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB932,768,000 (2021: RMB1,507,096,000) and the weighted average of ordinary shares of 2,620,375,892 (2021: 2,611,357,884 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2022	2021
Weighted average number of ordinary shares at 31 December	**2,611,171,592**	2,608,641,618
Effect of contingently issuable of shares under 2021 RSU scheme (Note 30)	**9,204,300**	2,716,266
Weighted average number of ordinary shares (diluted) at 31 December	**2,620,375,892**	2,611,357,884

12 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Leasehold Land RMB'000	Plant and buildings RMB'000	Machinery and equipment RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At January 1, 2021	223,410	1,496,401	903,552	140,303	32,120	66,428	2,862,214
Additions	–	45,387	86,216	15,490	1,959	90,577	239,629
Transfers	–	30,940	4,308	2,229	–	(37,477)	–
Disposals	–	(53,818)	(11,009)	(3,777)	(2,038)	–	(70,642)
Disposals of interest in subsidiaries	–	(113,550)	(20,642)	(26,205)	–	(23,777)	(184,174)
At December 31, 2021 and January 1, 2022	223,410	1,405,360	962,425	128,040	32,041	95,751	2,847,027
Additions	82,024	159,885	43,854	30,560	2,256	164,777	483,356
Transfers	–	31,881	15,941	–	–	(47,822)	–
Disposals	–	–	(3,550)	(1,946)	(1,364)	(10,573)	(17,433)
At December 31, 2022	305,434	1,597,126	1,018,670	156,654	32,933	202,133	3,312,950
Accumulated depreciation:							
At January 1, 2021	31,121	315,032	294,610	68,081	25,491	–	734,335
Charge for the year	4,615	117,232	89,336	20,432	2,775	–	234,390
Written back on disposals	–	(19,426)	(6,676)	(3,215)	(1,683)	–	(31,000)
Disposals of interest in subsidiaries	–	(15,845)	(549)	(5,516)	–	–	(21,910)
At December 31, 2021 and January 1, 2022	35,736	396,993	376,721	79,782	26,583	–	915,815
Charge for the year	5,136	142,989	100,123	17,779	1,916	–	267,943
Written back on disposals	–	–	(3,435)	(1,790)	(1,364)	–	(6,589)
At December 31, 2022	40,872	539,982	473,409	95,771	27,135	–	1,177,169
Net book value:							
At December 31, 2021	187,674	1,008,367	585,704	48,258	5,458	95,751	1,931,212
At December 31, 2022	264,562	1,057,144	545,261	60,883	5,798	202,133	2,135,781

12 PROPERTY, PLANT AND EQUIPMENT - *continued*

(a) Reconciliation of carrying amount - *continued*

Notes:

(i) As at December 31, 2022, property certificates of certain properties and leasehold land with an aggregate net book value of RMB298,308,000 (2021: RMB448,973,000) is yet to be obtained.

(ii) No property, plant and equipment of the Group were pledged as security for bank loans.

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2022 RMB'000	2021 RMB'000
Leasehold land	264,562	187,674
Plant and buildings	208,393	103,188
	472,955	290,862

The analysis of expense items in relation to leases recognized in profit or loss is as follows:

	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Leasehold land	5,136	4,615
Plant and buildings	54,490	40,655
	59,626	45,270
Interest on lease liabilities (Note 6(a))	6,754	6,984
Expense relating to short-term leases	14,968	10,369

During the year ended 31 December 2022, additions to right-of-use assets were RMB236,358,000 (2021: RMB42,182,000). This amount included the acquisition of leasehold land of RMB82,024,000 (2021: nil), and the remainder primarily related to the capitalized lease payments under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 23(e) and 25, respectively.

12 PROPERTY, PLANT AND EQUIPMENT - *continued*

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. The potential exposure to these future lease payments is summarized below.

	Lease liabilities recognised (discounted)		Potential future lease payments under extension options not included in lease liabilities (undiscounted)	
	2022 RMB'000	2021 RMB'000	**2022 RMB'000**	2021 RMB'000
Plant and buildings	**70,148**	69,836	**–**	–

13 INTANGIBLE ASSETS

	Developed technology RMB'000	GSP licenses RMB'000	Product trademarks RMB'000	Exclusive commercialization right (i) RMB'000	In-licensed right (ii) RMB'000	Total RMB'000
Cost:						
At January 1, 2021, December 31, 2021 and January 1, 2022	307,159	343	4,303	–	–	311,805
Additions	–	–	–	125,472	209,718	335,190
At December 31, 2022	307,159	343	4,303	125,472	209,718	646,995
Accumulated amortization:						
At January 1, 2021	230,051	343	4,303	–	–	234,697
Charge for the year	17,417	–	–	–	–	17,417
At December 31, 2021 and January 1, 2022	247,468	343	4,303	–	–	252,114
Charge for the year	14,985	–	–	–	–	14,985
At December 31, 2022	262,453	343	4,303	–	–	267,099
Net book value:						
At December 31, 2021	59,691	–	–	–	–	59,691
At December 31, 2022	44,706	–	–	125,472	209,718	379,896

(Expressed in Renminbi)

13 INTANGIBLE ASSETS - *continued*

The Group's intangible assets as at December 31, 2022 represent developed technology, GSP licenses, product trademarks acquired by the Group in connection with the acquisitions of the Group's operating subsidiaries in the PRC, and the exclusive commercialization right and in-licensed right acquired separately by the Group.

The amortization charge for the year is included in "cost of sales" and "research and development costs" in the consolidated statement of profit or loss.

(i) Exclusive commercialization right

On March 18, 2022, the Group entered into an agreement with a third party for acquisition of an exclusive commercialization right in relation to a drug under development in China at the consideration of RMB125,472,000. The third party is responsible for clinical development of the drug and the Group will have exclusive marketing right to the drug after regulatory approval.

As at December 31, 2022, the exclusive commercialization right is not yet ready for us and is not amortized. As such, it is subject to annual impairment test based on the recoverable amount of the CGU to which the intangible asset is related to which is at the product level. Management determined the recoverable amount of the relevant CGU using the value in use calculations. The calculation used cash flow projections based on management's expectations of the expected time period for a pharmaceutical drug development to commercialization and other factors, including the patent protection period, the historical life of similar products, the characteristics of such technologies, their update frequency and market requirement and competition. The expected average earnings before interest and taxes ("EBIT") growth rate was estimated taking into account revenue, gross margins and operating expenses to reflect the characteristics of the commercial right and the expectation for market development. The discount rate used is pre-tax and reflects specific risks relating to the drug.

The key assumptions used for fair value calculation as at December 31, 2022 is as follows:

	December 31, 2022
Expected average EBIT growth rate	18%
Pre-tax discount rate	26%

Based on the result of impairment assessment, there was no impairment as at December 31, 2022.

13 INTANGIBLE ASSETS - *continued*

(i) Exclusive commercialization right - *continued*

The Group has performed sensitivity test by increasing 1% of pre-tax discount rate or decreasing 1% of expected average EBIT growth rate, which are the key assumptions for determining the recoverable amount of the intangible asset, with all other variables held constant. The impacts on the amount by which the intangible asset's recoverable amount above its carrying amount (headroom) are as below:

	December 31, 2022 RMB'000
Headroom	113,966
Impact by increasing pre-tax discount rate	(15,514)
Impact by decreasing expected average EBIT growth rate	(2,394)

Considering there was still sufficient headroom based on the assessment, management believes that a reasonably possible change in any of the key assumptions on which management has based its determination of the CGU's recoverable amount would not cause its carrying amount to exceed its recoverable amount.

(ii) In-licensed right

On November 15, 2022, the Group entered into an agreement with a third party to have a exclusive right to develop and commercialize a drug product in the Greater China region. The drug was approved by the United States Food and Drug Administration and subsequently made commercially available in May 2022.

The consideration payable by the Group comprises upfront payment, additional milestone payments, commercialization milestone payments and royalties based upon future sales. As at December 31, 2022, an upfront payment of USD30,000,000 (RMB equivalent: 209,718,000) paid by the Group was recognised as an intangible assets.

As at December 31, 2022, the in-licensed right is not yet ready for us and is not amortized. As such, it is subject to annual impairment test based on the recoverable amount of the CGU to which the intangible asset is related to which is at the product level. Management determined the recoverable amount of the relevant CGU using the value in use calculations. The calculation used cash flow projections based on management's expectations of the expected time period for a pharmaceutical drug development to commercialization and other factors, including the patent protection period, the historical life of similar products, the characteristics of such technologies, their update frequency and market requirement and competition. The cash flows beyond the projection period are extrapolated using negative growth rate. The expected average EBIT growth rate was estimated taking into account revenue, gross margins and operating expenses to reflect the characteristics of the license and the expectation for market development. The discount rate used is pre-tax and reflects specific risks relating to the drug.

13 INTANGIBLE ASSETS - *continued*

(ii) In-licensed right - *continued*

The key assumptions used for fair value calculation as at December 31, 2022 is as follows:

	December 31, 2022
Expected average EBIT growth rate	40%
Pre-tax discount rate	20%

Based on the result of impairment assessment, there was no impairment as at December 31, 2022.

The Group has performed sensitivity test by increasing 1% of pre-tax discount rate or decreasing 1% of expected average EBIT growth rate, which are the key assumptions for determining the recoverable amount of the intangible asset, with all other variables held constant. The impacts on the amount by which the intangible asset's recoverable amount above its carrying amount (headroom) are as below:

	December 31, 2022 RMB'000
Headroom	70,247
Impact by increasing pre-tax discount rate	(33,040)
Impact by decreasing expected average EBIT growth rate	(2,555)

Considering there was still sufficient headroom based on the assessment, management believes that a reasonably possible change in any of the key assumptions on which management has based its determination of the CGU's recoverable amount would not cause its carrying amount to exceed its recoverable amount.

14 GOODWILL

	2022 RMB'000	2021 RMB'000
Balance at the beginning and end of the year	172,788	172,788

Impairment tests for cash-generating unit containing goodwill

Goodwill is allocated to the Group's cash-generating units ("**CGU**") identified according to the reportable segment. Goodwill is allocated to the Group's CGU as follows:

	2022 RMB'000	2021 RMB'000
Pharmaceutical business	142,474	142,474
BCY Pharm Co., Ltd. ("**BCY**")	30,314	30,314
	172,788	172,788

The Group performs annual impairment test on goodwill at the end of the reporting year. The recoverable amount of each CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management with the final year representing a steady state in the development of the business. Cash flows beyond the period are extrapolated using zero growth rate. The key assumptions used for the value in use calculations are the discount rate and budgeted earnings before interest, taxes, depreciation and amortization ("**EBITDA**") growth rate in the projection period. The discount rate was a pre-tax measure based on the risk-free rate in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the CGU. Budgeted EBITDA growth rate in the projection period was estimated taking into account revenue, gross margins and operating expenses based on past performance and its expectation for market development.

(Expressed in Renminbi)

14 GOODWILL - *continued*

Impairment tests for cash-generating unit containing goodwill - *continued*

Key assumptions used for value-in-use calculation:

	2022	2021
Pre-tax discount rate		
Pharmaceutical business	**15.0%**	15.0%
BCY	**25.8%**	25.8%
Budget period		
Pharmaceutical business	**5 years**	5 years
BCY	**11 years**	9 years

The estimated recoverable amount of the pharmaceutical business CGU exceeded its carrying amount as at December 31, 2022 by approximately RMB5,294,563,000 (2021: RMB5,958,482,000). The estimated recoverable amount of the BCY CGU exceeded its carrying amount as at December 31, 2022 by approximately RMB45,260,000 (2021: RMB35,534,000).

Management performed sensitivity analysis of two key assumptions that could significantly affect the recoverable amount. The following table shows the percentage point by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount:

Change required for carrying amount to equal recoverable amount (in percentage point)

	2022	2021
Pharmaceutical business		
Increase in discount rate	**+11.0%**	+14.7%
Decrease in budgeted EBITDA growth rate (average of budget period)	**-13.3%**	-20.1%
BCY		
Increase in discount rate	**+4.4%**	+3.1%
Decrease in budgeted EBITDA growth rate (average of budget period)	**-2.5%**	-3.4%

The recoverable amount of the CGUs based on the value-in-use calculations was higher than the carrying amount as at December 31, 2022 and 2021. Accordingly, no impairment loss for goodwill was recognized in the consolidated statements of profit or loss. Also, based on the sensitivity analysis above, the Group concluded that a reasonably possible change in key parameters would not cause the carrying amount of the CGU to exceed its recoverable amount as at December 31,2022 and 2021.

(Expressed in Renminbi)

15 INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of subsidiaries which affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Company name	Place of incorporation and business/ date of incorporation	Particulars of issued and paid-up capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Jiangsu Simcere Biologics Co., Ltd. (江蘇先聲醫藥科技有限公司) (Note (a))	The People's Republic of China ("**PRC**") August 14, 2017	United States Dollar ("**USD**") 221,500,000	100%	–	Investment holding
Simcere Pharmaceutical (Shandong)Co., Ltd. (先聲藥業(山東)有限公司) (Note (a))	The PRC March 28, 2022	United States Dollar ("**USD**") 50,000,000	100%	–	Investment holding
Simcere UK Limited	The United Kingdom December 20, 2017	Great Britain Pound ("**GBP**") 100	100%	–	Pharmaceutical related business development and cooperation
Oy Simcere Europe Ltd.	Finland September 14, 2007	Euro ("**EUR**") 2,500	100%	–	Pharmaceutical related business development and cooperation
Simcere Pharmaceutical Co., Ltd. (先聲藥業有限公司) (Note (a))	The PRC September 10, 1998	Chinese Yuan ("**RMB**") 1,380,287,820	–	100%	Manufacturing and sales of pharmaceutical products
Hainan Simcere Pharmaceutical Co., Ltd. (海南先聲藥業有限公司) (Note (a))	The PRC April 28, 1993	RMB221,110,900	–	100%	Manufacturing and sales of pharmaceutical products
Jiangsu Simcere Biological Pharmaceutical Co., Ltd. (江蘇先聲生物製藥有限公司) (Note (a))	The PRC July 10, 2017	RMB389,370,000	–	100%	Research and development and manufacturing of biopharmaceutical products
Wuhu Simcere Zhongren Pharmaceutical Co., Ltd. (蕪湖先聲中人藥業有限公司) (Note (a))	The PRC September 19, 2008	RMB37,000,000	–	100%	Manufacturing and sales of pharmaceutical products
Simcere (Shanghai) Pharmaceutical Co., Ltd. (先聲(上海)醫藥有限公司) (Note (a))	The PRC December 16, 2011	RMB398,350,329	–	100%	Research and development of pharmaceutical products and property management

(Expressed in Renminbi)

15 INVESTMENTS IN SUBSIDIARIES - *continued*

Company name	Place of incorporation and business/ date of incorporation	Particulars of issued and paid-up capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Nanjing BioSciKin Biotechnology Development Co., Ltd. (南京百家匯生物科技發展有限公司) (Note (a))	The PRC December 13, 2018	RMB86,660,000	–	100%	Investment holding
Simcere International Limited	Hong Kong June 19, 2014	USD10,000,000	–	100%	Pharmaceutical related business development and cooperation
Simgene LLC	The United States April 19, 2019	Not applicable	–	100%	Investment holding
Simcere of America Inc.	The United States January 5, 2011	USD125	–	100%	Pharmaceutical related business development and cooperation and investment holding
Jiangsu Simcere Pharmaceutical Co., Ltd. (江蘇先聲藥業有限公司) (Note (a))	The PRC March 28, 1995	RMB568,800,000	–	100%	Sales, distribution and research and development of pharmaceutical products
Shanghai Simcere Pharmaceutical Co., Ltd. (上海先聲藥業有限公司) (Note (a))	The PRC July 20, 2000	RMB154,000,000	–	100%	Sales and distribution of pharmaceutical products
Zigong Yirong Industrial Co., Ltd. (自貢市益榮實業有限公司) (Note (a))	The PRC September 2, 2005	RMB2,380,000	–	100%	Manufacturing of pharmaceutical ingredients
Shandong Simcere Biopharmaceutical Co., Ltd. (山東先聲生物製藥有限公司) (Note (a))	The PRC June 30, 1999	RMB50,000,000	–	100%	Manufacturing and sales of pharmaceutical products
Simcere Biology Medical Technology Co., Ltd. (先聲生物醫藥科技有限公司) (Note (a))	The PRC March 14, 2012	RMB50,000,000	–	100%	Research and development of biopharmaceutical products
BCY Pharm Co., Ltd. (江蘇博創園生物醫藥科技有限公司, "BCY") (Note (a) and (b))	The PRC October 28, 2011	RMB24,500,000	–	63.57%	Research and development of biopharmaceutical products

(Expressed in Renminbi)

15 INVESTMENTS IN SUBSIDIARIES - *continued*

Company name	Place of incorporation and business/ date of incorporation	Particulars of issued and paid-up capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Simcere Zaiming Pharmaceutical Co., Ltd. (先聲再明醫藥有限公司 (Note (a)) (formerly named as Hainan Yaozhen Biology Medical Technology Co., Ltd. (海南耀臻生物醫藥科技有限公司))	The PRC December 3, 2020	RMB300,000,000	–	100%	Research and development of biopharmaceutical products
Simcere (Beijing) Pharmaceutical Co., Ltd. (先聲(北京)醫藥有限公司 (Note (a))	The PRC April 21, 2021	RMB5,000,000	–	100%	Research and development of biopharmaceutical products
Shanghai Simcere Biology Medical Co., Ltd. (上海先聲生物醫藥有限公司 (Note (a))	The PRC June 29, 2021	RMB4,310,000	–	100%	Research and development of biopharmaceutical products
Jiangsu Xiansheng Biology Medical Co., Ltd. (江蘇先盛生物醫藥有限公司 (Note (a))	The PRC March 11, 2022	RMB62,410,000	–	100%	Manufacturing and sales of pharmaceutical products
Shanghai Xianxiang Pharmaceutical Technology Co., Ltd. (上海先祥醫藥科技有限公司 (Note (a))	The PRC March 11, 2022	RMB500,000	–	100%	Research and development of biopharmaceutical products
Jiangsu Zaiming Pharmaceutical Co., Ltd. (江蘇先聲再明醫藥有限公司 (Note (a))	The PRC December 9, 2022	–	–	100%	Sales and distribution of pharmaceutical products
Beijing Simcere Zaiming Pharmaceutical Co., Ltd. (北京先聲再明醫藥有限公司 (Note (a))	The PRC December 27, 2022	–	–	100%	Sales, distribution and research and development of pharmaceutical products

15 INVESTMENTS IN SUBSIDIARIES - *continued*

Notes:

(a) These entities are limited liability companies established in the PRC. The official names of these entities are in Chinese. The English translation of the Company names is for identification purpose only.

(b) On April 29, 2022, the Group entered into an agreement with non-controlling shareholders to further acquire 11.43% of the equity interest of BCY at the consideration of RMB16,027,000. The Group's equity interest in this entity increased from 52.14% to 63.57%.

The following table lists out the information relating to BCY Pharm Co., Ltd., the only subsidiary of the Group which has a material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2022 RMB'000	2021 RMB'000
NCI percentage	**36.43%**	47.86%
Current assets	**14,715**	19,440
Non-current assets	**44,706**	50,814
Current liabilities	**(4,201)**	(3,785)
Non-current liabilities	**(11,128)**	(12,646)
Net assets	**44,092**	53,823
Carrying amount of NCI	**16,062**	25,760
Revenue	**—**	—
Loss for the period	**(9,732)**	(17,082)
Total comprehensive income	**(9,732)**	(17,082)
Loss allocated to NCI	**(4,136)**	(8,175)
Cash flows used in operating activities	**(4,665)**	(11,050)
Cash flows used in investing activities	**(28)**	(13)
Cash flows generated from financing activities	**—**	13,750

16 INTEREST IN AN ASSOCIATE

Details of the Group's interest in an associate as at December 31, 2022 which is accounted for using equity method in the consolidated financial statements are set out below:

Name of the associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
Nanjing Ruichu Pharm Co., Ltd. ("Nanjing Ruichu")	Incorporated	The PRC	RMB1,290,000	8.9%	–	8.9%	Development and manufacturing of pharmaceutical ingredients

In August 2021, the Group acquired 12.5% of equity interest in Nanjing Ruichu through capital injection of RMB 5,000,000. During the year ended December 31, 2022, due to the new financing obtained by Nanjing Ruichu, the effective interest decreased from 12.5% to 8.9%. The Group has a right to appoint one director to the board of Nanjing Ruichu in accordance with the investment agreement, therefore the directors of the Company are in the view that the Group can cast significant influence on Nanjing Ruichu and account for the equity interest in Nanjing Ruichu using the equity method.

Nanjing Ruichu is an unlisted corporate entity whose quoted market price is not available.

Information of the associate that is not material:

	2022 RMB'000	2021 RMB'000
Carrying amount of associate in the consolidated financial statements	4,978	4,863
Amounts of the Group's share of the associates'		
Loss from continuing operations	(813)	(48,244)
Gain on dilution of interests	928	4,328
Total comprehensive income	115	(43,916)

17 INTEREST IN A JOINT VENTURE

Details of the Group's interest in the joint venture as at December 31, 2022 which is accounted for using equity method in the consolidated financial statements are set out below:

Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
Simnogen Biotech Ltd.	Incorporated	The PRC	USD4,000,000	51%	–	51%	Research and development of innovative pharmaceuticals and vaccine products

In June 2019, the Group acquired 51% of the equity interest in Simnogen Biotech Ltd. from a company controlled by the ultimate controlling shareholder of the Group, BioSciKin Precision Medical Holding Group Co., Ltd., at a consideration of RMB5,200,000. Simnogen Biotech Ltd. is mainly engaged in research and development of innovative pharmaceutical and vaccine products. According to the articles of association, no single investor is in a position to control the investors' meeting nor no single director appointed by either investor is in a position to control the board of directors. Therefore, the directors of the Company consider that the Group is not able to control Simnogen Biotech Ltd. and deem it to be a joint venture of the Group rather than a subsidiary.

Simnogen Biotech Ltd., the only joint venture in which the Group participates, is an unlisted corporate entity whose quoted market price is not available.

Information of the joint venture that is not material:

	December 31, 2022 RMB'000	December 31, 2021 RMB'000
Carrying amount of the joint venture in the consolidated financial statements	4,477	4,402
Amount of the Group's share of the joint venture's		
Profit/(loss) from continuing operations	75	(270)
Total comprehensive income	75	(270)

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 RMB'000	2021 RMB'000
Equity securities designated at FVOCI (non-recycling)		
— Listed equity securities	23,414	240,527
— Unlisted equity security	114,360	51,200
	137,774	291,727

The listed equity securities at FVOCI (non-recycling), represent investment in listed equity securities issued by listed companies incorporated in the United States. The unlisted equity security at FVOCI (non-recycling), represents investment in unlisted equity interest in private entity incorporated in the PRC. These investments are engaged in research and development of innovative pharmaceutical products.

The Group designated these investments at FVOCI (non-recycling), as the investments are held for strategic purposes. No dividends were received on these investments during the year ended December 31, 2022 and 2021.

The analysis on the fair value measurement of the above financial assets is disclosed in Note 35(e).

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
Financial assets at FVPL		
— Listed equity securities	876,263	16,307
— Unlisted investments	517,555	750,959
— Unlisted units in investment funds	662,882	1,173,109
	2,056,700	1,940,375

The Group's non-current balances of financial assets at FVPL represent listed equity securities issued by listed company incorporated in Australia, the Cayman Islands, the unlisted investments in private entities incorporated in the PRC, the United States and the Cayman Islands and unlisted units in investment funds incorporated in the PRC, the United States, and the Netherlands. These investments are primarily engaged or further invested in the healthcare and pharmaceutical sectors.

The analysis on the fair value measurement of the Group's above financial assets is disclosed in Note 35(e).

20 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

	2022 RMB'000	2021 RMB'000
Raw materials	126,840	89,998
Semi-finished goods	55,670	26,205
Finished goods	119,863	118,954
	302,373	235,157

(b) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	2022 RMB'000	2021 RMB'000
Carrying amount of inventories sold	829,860	727,169
Provision for write-down of inventories	49,578	35,846
	879,438	763,015

All inventories are expected to be recovered within one year.

21 TRADE AND BILLS RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	1,871,314	2,017,320
Bills receivable	490,804	419,635
	2,362,118	2,436,955
Less: loss allowance	(24,675)	(38,188)
	2,337,443	2,398,767

All of the trade and bills receivables are expected to be recovered within one year.

As at December 31, 2022, bills receivable of RMB115,465,000 were pledged for issuance of bills payable (2021: RMB80,786,000).

21 TRADE AND BILLS RECEIVABLES - *continued*

Aging analysis

As of the end of the reporting period, the aging analysis of trade and bills receivables, based on the invoice date and net of loss allowance, is as follows:

	2022 RMB'000	2021 RMB'000
Within 3 months	1,818,648	1,561,742
Over 3 months but within 12 months	518,145	831,220
Over 12 months	650	5,805
	2,337,443	2,398,767

Trade and bills receivables are due within 30 - 90 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade and bills receivables are set out in Note 35(a).

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Current		
Prepayments for raw materials and expenses	66,789	55,807
Value added tax recoverable	33,608	21,524
Other deposits and receivables	65,611	63,651
	166,008	140,982
Less: loss allowance	(310)	(948)
	165,698	140,034
Non-current		
Prepayments for property, plant and equipment	36,129	30,432
Deposits for investments	43,680	—
Other deposits and receivables	17,661	46,132
	97,470	76,564

All of prepayments, deposits and other receivables current balances are expected to be recovered or recognized as expense within one year.

23 CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS, RESTRICTED DEPOSITS, AND TIME DEPOSITS

(a) Cash and cash equivalents comprise:

	2022 RMB'000	2021 RMB'000
Cash at bank	1,657,600	973,139

As at December 31, 2022, cash and cash equivalents situated in Mainland China amounted to RMB1,495,666,000 (2021: RMB571,340,000). Remittance of funds out of Mainland China is subject to relevant rules and regulations of foreign exchange control.

(b) Pledged deposits and restricted deposits comprise:

	2022 RMB'000	2021 RMB'000
Pledged deposits for		
— issuance of letter of guarantee	560	1,580

	2022 RMB'000	2021 RMB'000
Restricted deposits for		
— research and development projects	13,435	4,005
— 2021 RSU Scheme	5,943	—
	19,378	4,005

(c) Time deposits comprise:

	2022 RMB'000	2021 RMB'000
Current portion	964,226	1,210,078
Non-current portion	10,752	410,000
	974,978	1,620,078

23 CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS, RESTRICTED DEPOSITS, AND TIME DEPOSITS - *continued*

(d) Reconciliation of profits before taxation to cash generated from operations

	NOTES	2022 RMB'000	2021 RMB'000
Profit before taxation		**888,154**	1,401,797
Adjustments for:			
Depreciation of property, plant and equipment	6(c)	**267,943**	234,390
Amortization of intangible assets	6(c)	**14,985**	17,417
Net finance (income)/costs	6(a)	**(25,459)**	2,561
Share of (profits)/losses of associates	16	**(115)**	43,916
Share of (profits)/losses of a joint venture	17	**(75)**	270
Net loss/(gain) on disposal of property, plant and equipment	5(b)	**10,571**	(2,685)
Net realized loss on trading securities	5(b)	**—**	119
Net realized and unrealized gains on financial assets at fair value through profit or loss	5(b)	**(113,112)**	(382,849)
Net gain on disposal of interest in subsidiaries	5(b)	**—**	(399,330)
Net gain arising from fair value remeasurement of interest in former associates	5(b)	**—**	(314,456)
Equity settled share-based payment expenses	30(c)	**138,290**	62,392
(Reversal)/recognition of impairment loss on trade and other receivables	6(c)	**(13,972)**	15,828
Provision for write-down of inventories	20(b)	**49,578**	35,846
Foreign exchange loss/(gain)		**51,754**	(100,763)
Changes in working capital:			
Increase in pledged deposits for issuance of letter of guarantee and restricted deposits		**(14,353)**	(3,805)
Increase in inventories		**(116,794)**	(8,330)
Decrease/(increase) in trade and bills receivables		**74,837**	(545,202)
Increase in prepayments, deposits and other receivables		**(14,619)**	(482,242)
Increase in trade and bills payables		**10,493**	81,874
Increase in other payables and accruals		**153,773**	186,319
Decrease in deferred income		**(14,263)**	(30,337)
Cash generated from/(used in) operations		**1,347,616**	(187,270)

23 CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS, RESTRICTED DEPOSITS, AND TIME DEPOSITS - *continued*

(e) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statements as cash flows from financing activities.

	Bank loans RMB'000 (Note 24)	Lease liabilities RMB'000 (Note 25)	Total RMB'000
At January 1, 2022	1,530,085	105,797	1,635,882
Changes from financing cash flows:			
Proceeds from bank loans	916,932	—	916,932
Repayment of bank loans	(1,184,161)	—	(1,184,161)
Capital element of lease rentals paid	—	(49,146)	(49,146)
Interest element of lease rentals paid	—	(6,754)	(6,754)
Interest paid	(23,229)	—	(23,229)
Total changes from financing cash flows	(290,458)	(55,900)	(346,358)
Exchange adjustments	24,786	3,692	28,478
Other changes:			
Increase in lease liabilities from entering into new leases during the year	—	154,334	154,334
Interest expenses (Note 6(a))	27,654	6,754	34,408
Total other changes	27,654	161,088	188,742
At December 31, 2022	1,292,067	214,677	1,506,744

23 CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS, RESTRICTED DEPOSITS, AND TIME DEPOSITS - *continued*

(e) Reconciliation of liabilities arising from financing activities - *continued*

	Bank loans RMB'000 (Note 24)	Lease liabilities RMB'000 (Note 25)	Total RMB'000
At January 1, 2021	3,068,490	231,528	3,300,018
Changes from financing cash flows:			
Proceeds from bank loans	1,027,150	—	1,027,150
Repayment of bank loans	(2,463,778)	—	(2,463,778)
Capital element of lease rentals paid	—	(41,359)	(41,359)
Interest element of lease rentals paid	—	(6,984)	(6,984)
Interest paid	(63,864)	—	(63,864)
Total changes from financing cash flows	(1,500,492)	(48,343)	(1,548,835)
Exchange adjustments	(101,777)	—	(101,777)
Other changes:			
Increase in lease liabilities from entering into new leases during the year	—	42,175	42,175
Disposal of interests in subsidiaries	—	(91,145)	(91,145)
Adjustment from lease termination	—	(35,402)	(35,402)
Interest expenses (Note 6(a))	63,864	6,984	70,848
Total other changes	63,864	(77,388)	(13,524)
At December 31, 2021	1,530,085	105,797	1,635,882

23 CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS, RESTRICTED DEPOSITS, AND TIME DEPOSITS - *continued*

(f) Total cash flow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2022 RMB'000	2021 RMB'000
Within operating cash flows	14,968	10,369
Within investing cash flows	82,024	—
Within financing cash flows	55,900	48,343
	152,892	58,712

These amounts relate to the following:

	2022 RMB'000	2021 RMB'000
Lease rentals paid	70,868	58,712
Increase in leasehold land	82,024	—
	152,892	58,712

24 BANK LOANS

The maturity profile for the interest-bearing bank loans of the Group at the end of each reporting period is as follows:

	2022 RMB'000	2021 RMB'000
Short-term bank loans	1,183,700	991,571
Current portion of long-term bank loans	108,367	538,514
Within 1 year or on demand	1,292,067	1,530,085

24 BANK LOANS - *continued*

The bank loans were secured as follows:

	2022 RMB'000	2021 RMB'000
Bank loans		
— Secured	—	1,134,596
— Unsecured	1,292,067	395,489
	1,292,067	1,530,085

25 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of each reporting period:

	2022 RMB'000	2021 RMB'000
Within 1 year	58,756	31,558
After 1 year but within 2 years	56,711	30,686
After 2 years but within 5 years	82,693	43,553
After 5 years	16,517	—
	155,921	74,239
	214,677	105,797

26 TRADE AND BILLS PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables	226,159	256,131
Bills payable	108,285	67,820
	334,444	323,951

As of the end of the reporting period, the aging analysis of trade and bills payables, based on the invoice date, is as follows:

	2022 RMB'000	2021 RMB'000
Within 3 months	239,712	252,556
3 to 12 months	93,289	70,567
Over 12 months	1,443	828
	334,444	323,951

All of the trade and bills payables are expected to be settled within one year or repayable on demand.

27 OTHER PAYABLES AND ACCRUALS

	2022 RMB'000	2021 RMB'000
Accrued expenses (Note i)	583,739	546,992
Contract liabilities (Note ii)	63,338	26,140
Payable for employee reimbursements	28,884	105,691
Payables for staff related costs	335,384	279,064
Payables for purchase of property, plant and equipment	21,877	35,334
Other tax payables	133,859	76,667
Payables for research and development	41,695	23,757
Others	59,123	68,369
	1,267,899	1,162,014

All of the other payables and accruals are expected to be settled within one year or repayable on demand.

27 OTHER PAYABLES AND ACCRUALS - *continued*

Notes:

(i) Accrued expenses primarily comprise marketing and promotion expenses, research and development costs and other expenses.

(ii) Contract liabilities represent customers' advances received for goods that have not yet been transferred to the customers.

Movements in contract liabilities

	2022 RMB'000	2021 RMB'000
Balance at 1 January	26,140	18,762
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(26,140)	(18,762)
Increase in contract liabilities as a result of customers' advances received for goods that have not yet been transferred to the customers as at the year end	63,338	26,140
Balance at 31 December	63,338	26,140

Contract liabilities are expected to be recognised as income within one year.

28 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	2022 RMB'000	2021 RMB'000
At the beginning of the year	(634)	(21,335)
Provision for income Tax for the year	11,271	25,152
Effect of PRC Corporate Income Tax on disposal of financial assets at fair value through other comprehensive income	—	5,458
(Over)/under-provision in respect of prior years	(13,677)	4,791
Tax refund/(paid)	7,096	(14,700)
At the end of the year	4,056	(634)
Represented by:		
Taxation recoverable	(6,506)	(16,789)
Taxation payable	10,562	16,155
	4,056	(634)

28 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - *continued*

(b) Deferred tax assets and liabilities recognized represents:

(i) The components of deferred tax assets recognized in the consolidated statements of financial position and the movements during the year are as follows:

	Provision for asset impairment RMB'000	Unrealized profits on inventories RMB'000	Deductible tax losses RMB'000	Depreciation of property, plant and equipment RMB'000	Fair value change of financial assets RMB'000	Government grants RMB'000	Accrued expenses RMB'000	Other temporary differences RMB'000	Total RMB'000
At January 1, 2021	9,629	95,435	46,300	1,635	4,364	68,500	102,214	5,574	333,651
Recognized in profit or loss	4,921	12,978	75,948	(150)	(402)	(3,201)	–	(138)	89,956
Recognized in other comprehensive income	–	–	–	–	107	–	–	–	107
At December 31, 2021 and January 1, 2022	14,550	108,413	122,248	1,485	4,069	65,299	102,214	5,436	423,714
Recognized in profit or loss	(144)	(6,428)	65,323	(587)	(9,033)	(67)	(59,893)	385	(10,444)
Recognized in other comprehensive income	–	–	–	–	9,816	–	–	–	9,816
At December 31, 2022	14,406	101,985	187,571	898	4,852	65,232	42,321	5,821	423,086

28 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - *continued*

(b) Deferred tax assets and liabilities recognized represents: - *continued*

(ii) The components of deferred tax liabilities recognized in the consolidated statements of financial position and the movements during the year are as follows:

	Fair value adjustment arising from business combination RMB'000	Depreciation of property, plant and equipment RMB'000	Fair value change of financial assets RMB'000	Undistributed profits RMB'000	Other temporary differences RMB'000	Total RMB'000
At January 1, 2021	17,623	78,156	138,520	82,093	764	317,156
Recognized in profit or loss	(3,090)	227	(43,859)	9,874	(263)	(37,111)
Recognized in other comprehensive income	–	–	(2,511)	–	–	(2,511)
Exchange adjustment	–	–	(1,021)	–	–	(1,021)
At December 31, 2021 and January 1, 2022	14,533	78,383	91,129	91,967	501	276,513
Recognized in profit or loss	(2,653)	(22,561)	(18,743)	(4,402)	(157)	(48,516)
Recognized in other comprehensive income	–	–	(17,791)	–	–	(17,791)
Exchange adjustment	–	–	1,458	–	–	1,458
At December 31, 2022	11,880	55,822	56,053	87,565	344	211,664

(iii) Reconciliation to the consolidated statements of financial position:

	2022 RMB'000	2021 RMB'000
Net deferred tax assets recognized in the consolidated statements of financial position	326,713	289,972
Net deferred tax liabilities recognized in the consolidated statements of financial position	(115,291)	(142,771)
	211,422	147,201

28 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - *continued*

(c) Deferred tax assets not recognized

In accordance with the accounting policy set out in Note 2(s), the Group did not recognize deferred tax assets of RMB47,768,000 (2021: RMB24,910,000), in respect of cumulative tax losses RMB198,843,000 (2021: RMB106,110,000) as at December 31, 2022. The Group did not recognize deferred tax assets of RMB7,917,000 (2021: RMB39,346,000), in respect of cumulative time differences RMB28,092,000 (2021: RMB137,069,000) as at December 31, 2022. It was not probable that future taxable profits against which the losses and time differences can be utilized will be available in the relevant tax jurisdiction and entities.

(d) Deferred tax liabilities not recognized

For the year ended December 31, 2022, the Group did not recognize deferred tax liabilities of RMB37,443,000 (2021: RMB28,159,000), in respect of distributable profits of the Group's PRC subsidiaries amounted to RMB748,851,000 (2021: RMB563,183,000), as the Group controls the timing of the reversal of temporary differences associated with undistributed profits of these subsidiaries and it has been determined that it is probable that these undistributed profits earned by the Group's PRC subsidiaries will not be distributed in the foreseeable future in accordance with the Group's dividend policy. As at December 31, 2022, the deferred tax liabilities not recognized in respect of distributable profits of the Group's PRC subsidiaries is RMB122,531,000 (2021: RMB85,088,000).

29 DEFERRED INCOME

As at December 31, 2022, deferred income represented unamortized conditional government grants amounting to RMB403,350,000 (2021: RMB417,613,000) for plant relocation and construction and encouragement of technology research and development.

Deferred income is recognized as income upon the satisfaction of acceptance standards, completion of the relocation or amortized over the useful life of the related property, plant and equipment upon the completion of the construction.

30 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Pre-IPO Share Incentive Scheme

On October 1, 2019, the board of directors of the Company's immediate parent company, SPHL, approved a grant of 1,023,000 restricted shares, of which 507,500 restricted shares were previously repurchased by SPHL through Excel Management Company Limited ("**Excel management**") and the remaining 515,500 restricted shares were held by Mr. Ren Jinsheng through Excel Management. The restricted shares were granted to the directors and employees of the Company and its subsidiaries ("**the Participants**") at a price of RMB50 per each restricted share or at nil price.

Each restricted share gives the holder a right to receive the underlying ordinary share held by Excel Management pursuant to the conditions provided for under the Restricted Share Incentive Scheme at the end of the respective vesting period.

The 2021 RSU Scheme

On May 20, 2021, the board of the Company approved the adoption of the 2021 Restricted Share Unit ("**RSU**") Scheme and would grant up to 137,296,927 restricted shares to the Participants under the 2021 RSU Scheme in aggregate.

For the year ended December 31, 2022, the Company allotted and issued 32,086,000 shares (December 31, 2021:19,649,000 shares), to Futu Trustee Limited or Tricor Trust (Hong Kong) Limited ("**the Trustees**"), which will be issued to Participants upon the vest of the RSUs granted under 2021 RSU Scheme. Neither the Participants nor the Trustees may exercise any of the voting rights in respect of any shares held by the Trustees for the purpose of the 2021 RSU Scheme.

(Expressed in Renminbi)

30 EQUITY SETTLED SHARE-BASED TRANSACTIONS - *continued*

(a) The terms and conditions of the grants are as follows:

	Number of Restricted shares	Vesting condition	Price per restricted share RMB
Restricted shares granted to directors and employees:			
Pre-IPO Share Incentive Scheme			
– on October 1, 2019	180,000	Cliff vest on December 31, 2021	Nil
– on October 1, 2019	843,000	Cliff vest on December 31, 2021	50
2021 RSU Scheme			
– on July 16, 2021	10,838,000	Graded vest of one third per year over three years from the date of grant and subject to performance conditions	Nil
– on November 1, 2021	8,712,000	Graded vest of one third on August 27, 2022, 2023 and 2024, respectively, and subject to performance conditions	Nil
– on December 23, 2021	11,841,000	Graded vest of one third per year over three years from the date of grant and subject to performance conditions	Nil
– on May 11, 2022	6,810,000	Graded vest of one third of 1,500,000 RSUs on January 17, 2023, 2024 and 2025, respectively, one third of 5,310,000 RSUs on May 11, 2023, 2024 and 2025 and both subject to performance conditions	Nil
– on September 28, 2022	14,489,000	Graded vest of half of 80,000 RSUs on May 11, 2023 and 2024, respectively, Graded vest of one third of 528,000 RSUs on May 11, 2023, 2024 and 2025, respectively, one third of 13,881,000 RSUs on September 28, 2023, 2024 and 2025 and all subject to performance conditions	Nil
– on November 9, 2022 (Note)	3,669,000	Cliff vest of 154,000 RSUs on November 9, 2023, Graded vest of one third of 3,515,000 RSUs on November 9, 2023, 2024 and 2025, and both subject to performance conditions	Nil

Note: On November 9, 2022, the board of directors resolved to grant a total of 3,669,000 RSUs, of which 3,550,000 RSUs were subject to the approval by the independent shareholders at the extraordinary general meeting.

30 EQUITY SETTLED SHARE-BASED TRANSACTIONS - *continued*

(b) A summary of restricted shares outstanding for the year ended December 31, 2022 and 2021:

	2022		2021	
	Weighted average grant-date fair value RMB	Number of restricted shares '000	Weighted average grant-date fair value RMB	Number of restricted shares '000
Balance at the beginning of the year	8.20	30,941	81.32	887
Grant during the year	7.04	24,968	8.23	31,391
Vested during the year	8.19	(9,481)	78.96	(751)
Forfeited during the year	7.48	(6,496)	29.73	(586)
Balance at the end of the year	7.59	39,932	8.20	30,941

(c) Fair value of restricted shares granted

The grant-date fair value of the restricted shares granted is measured at the market price of the Company's shares at the respective grant date.

Share-based payment expense of RMB138,290,000 (2021: RMB62,392,000) is recognized as staff costs in the consolidated statements of profit or loss for the year ended December 31, 2022.

31 CAPITAL, RESERVES AND DIVIDENDS

(a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company		Reserves			
	Share capital RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at January 1, 2021	3,002,871	2,085,626	(96,181)	(96,264)	4,896,052
Changes in equity for 2021:					
Equity settled share-based transactions	–	42,516	–	–	42,516
Appropriation of dividends	–	–	–	(391,296)	(391,296)
Profit and total comprehensive income for the year	–	–	(107,483)	1,223,418	1,115,935
Balance at December 31, 2021 and January 1, 2022	3,002,871	2,128,142	(203,664)	735,858	5,663,207
Changes in equity for 2022:					
Equity settled share-based transactions	–	138,290	–	–	138,290
Vesting of restricted shares	78,260	(78,260)	–	–	–
Appropriation of dividends	–	–	–	(391,296)	(391,296)
Loss and total comprehensive income for the year	–	–	430,207	(92,144)	338,063
Balance at December 31, 2022	3,081,131	2,188,172	226,543	252,418	5,748,264

31 CAPITAL, RESERVES AND DIVIDENDS - *continued*

(b) Dividends

(i) Dividend payable to equity shareholders of the Company attribute to the year:

	2022 RMB'000	2021 RMB'000
Dividends proposed after the end of the reporting period of RMB 0.16 per ordinary share (2021: RMB 0.15 per ordinary share)	425,660	394,244
Less: Dividends for unvested shares under 2021 RSU scheme	(6,761)	(2,948)
	418,899	391,296

The final dividend proposed after the end of the reporting period has not been recognized as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial years, declared and approved during the year:

	2022 RMB'000	2021 RMB'000
Dividends in respect of previous financial years approved and paid during the year, of RMB0.15 per share (2021: RMB0.15 per share)	391,296	391,296

(Expressed in Renminbi)

31 CAPITAL, RESERVES AND DIVIDENDS - *continued*

(c) Share capital

	Note	Number of outstanding shares fully paid	Number of shares held for RSU scheme	Total
Number of ordinary shares issued:				
At January 1, 2021		2,608,641,618	—	2,608,641,618
Issues of ordinary shares under 2021 RSU Scheme	(i)	—	19,649,000	19,649,000
At December 31, 2021 and January 1, 2022		**2,608,641,618**	**19,649,000**	**2,628,290,618**
Issues of ordinary shares under 2021 RSU Scheme	(ii)	**—**	**32,086,000**	**32,086,000**
Vesting of restricted shares	(iii)	**9,480,583**	**(9,480,583)**	**—**
At December 31, 2022		**2,618,122,201**	**42,254,417**	**2,660,376,618**

	Note	HKD
Ordinary shares, issued and fully paid:		
At January 1, 2021, December 31, 2021 and January 1, 2022		3,474,779,512
Vesting of restricted shares	(iii)	89,478,610
At December 31, 2022		3,564,258,122

Notes:

(i) On July 28, 2021 and November 12, 2021, the Company allotted and issued 10,937,000 shares and 8,712,000 shares, respectively, to the Trustees for the purpose of the 2021 RSU Scheme (see Note 30).

(ii) On January 10, 2022, May 25, 2022, and November 4, 2022, the Company allotted and issued 11,841,000 shares, 6,776,000 shares and 13,469,000 shares to the Trustees for the purpose of the 2021 RSU Scheme (see Note 30).

(iii) In 2022, a total of 9,480,583 restricted shares were vested under 2021 RSU Scheme. RMB78,260,000 (HKD equivalent 89,478,610) was transferred from the other reserve to the share capital account in accordance with policy set out in Note 2(r)(ii).

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares, except for the shares held by the Trustees, are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

31 CAPITAL, RESERVES AND DIVIDENDS - *continued*

(d) Nature and purpose of reserves

(i) Other reserve

Other reserve primarily represented: (i) the paid-in capital of Simcere Pharmaceutical and Hainan Simcere prior to the transactions in June and August 2017 respectively, during the course of the reorganization under common control; (ii) the difference between the carrying value of the net assets acquired and the consideration paid for the acquisition of subsidiaries and non-controlling interests prior to the January 1, 2017 and during the course of the reorganization under common control; (iii) the accumulated share based compensation for the unexercised share options, which were cancelled upon the privatization of the former holding company of the Group's substantial operating business, Excel Investments Group Limited (formerly known as Simcere Investments Group); and (iv) the portion of the grant date fair value of restricted shares granted by SPHL to the directors of the Company and employees of the Group; and (v) the accumulated share based payments for the unvested restricted shares granted under 2021 RSU Scheme, which are expected to vest, that has been recognized in accordance with the accounting policy adopted for share-based payments in Note 2(r)(ii).

(ii) PRC statutory reserve

Statutory reserve is established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC.

In accordance with the PRC Company Law, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory reserves until the reserves reach 50% of their respective registered capital. For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policy as set out in Note 2(v).

(iv) Fair value reserves (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see Note 2(g)).

31 CAPITAL, RESERVES AND DIVIDENDS - *continued*

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintaining a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes bank loans and lease liabilities) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

The Group's adjusted net debt to capital ratio are as follows:

	2022 RMB'000	2021 RMB'000
Current liabilities:		
Bank loans	1,292,067	1,530,085
Lease liabilities	58,756	31,558
	1,350,823	1,561,643
Non-current liability:		
Lease liabilities	155,921	74,239
	155,921	74,239
Total debt	1,506,744	1,635,882
Add: Proposed dividends	418,899	391,296
Less: Cash and cash equivalents	(1,657,600)	(973,139)
Adjusted net debt	268,043	1,054,039
Total equity	7,142,823	6,462,757
Less: Proposed dividends	(418,899)	(391,296)
Adjusted capital	6,723,924	6,071,461
Adjusted net debt to capital ratio	4.0%	17.4%

32 CAPITAL COMMITMENTS

Capital commitments outstanding at the respective year end not provided for in the consolidated financial statements are as follows:

	2022 RMB'000	2021 RMB'000
Contracted for	281,749	112,677
Represented by:		
Construction of plant and buildings	209,634	71,919
Acquisition of machinery and equipment	72,115	40,758
	281,749	112,677

33 CONTINGENT LIABILITIES

In June 2022, a subsidiary of the Group received a notice that it was being sued by a customer in respect of a supply arrangement of raw materials with an indemnity claim of approximately RMB200 million. This claim was on its early stage. Based on the legal advice and available evidences, the directors do not believe it probable that the court will find against them. No provision has therefore been made in respect of this claim.

34 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9 is as follows:

	2022 RMB'000	2021 RMB'000
Short-term employee benefits	71,104	23,872
Contributions to defined contribution retirement plans	745	269
Equity settled share-based payment expenses	34,098	16,823
	105,947	40,964

Total remuneration is included in "staff costs" (see Note 6(b)).

34 MATERIAL RELATED PARTY TRANSACTIONS - *continued*

(b) Names and relationships of the related parties that had other material transactions with the Group:

Name of related party	Relationship
Mr. Ren Jinsheng	Ultimate controlling shareholder of the Group
Ms. Wang Xi	The spouse of the ultimate controlling shareholder of the Group
Simcere Investments Group Limited	Controlling shareholder of the Group
Jiangsu Simcare Pharmaceutical Co., Ltd. (Note (a))	Controlled by the ultimate controlling shareholder of the Group
Simcare Jiangsu Pharmaceutical Co., Ltd. (Note (a))	Controlled by the ultimate controlling shareholder of the Group
Beijing Sanroad Biological Products Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
Nanjing Jiayuantang Biological Technology Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
Jiangsu Yoai Technology Co., Ltd.	Controlled by a close family member of the ultimate controlling shareholder of the Group
BioSciKin Precision Medical Holding Group Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
Nanjing Medway Culture Media Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
Nanjing BioSciKin Asset Management Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
Jiangsu Simcere Medical Diagnostics Co., Ltd.	Controlled by a close family member of the ultimate controlling shareholder of the Group
Nanjing BioSciKin Innovative Pharmaceutical Retail Co., Ltd. (Note (a))	Controlled by the ultimate controlling shareholder of the Group
Jiangsu BioSciKin Transformation Medical Technology Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
Simnova Biotherapeutics Limited	Controlled by the ultimate controlling shareholder of the Group
Nanjing Simcere Medical Inspection Laboratory Co., Ltd.	Controlled by a close family member of the ultimate controlling shareholder of the Group

34 MATERIAL RELATED PARTY TRANSACTIONS - *continued*

(b) Names and relationships of the related parties that had other material transactions with the Group: - *continued*

Name of related party	Relationship
3D Biological Medicines (Shanghai) Co., Ltd. (Note(b))	Associate of the Group
Shanghai Youxu Medical Equipment Co., Ltd.	Controlled by a close family member of the ultimate controlling shareholder of the Group
Shanghai Xianbo Biological Technology Co., Ltd. (Note(c))	Controlled by the ultimate controlling shareholder of the Group
Simcere Innovation Inc. (Note(c))	Controlled by the ultimate controlling shareholder of the Group
Nanjing Xuanwu Youai Clinic Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
Hainan Vision Baihui Biotechnology Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
Xianwei (Hainan) Biotechnology Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group

Notes:

(a) These entities were disposed by the ultimate controlling shareholder of the Group on April 9, 2021 and no longer recognized as the Group's related parties since then.

(b) On December 1, 2021, the Group ceased to have significant influence over this entity, and no longer recognized it as the Group's related party since then.

(c) These entities were disposed by the Group to the controlling shareholder of the Group on May 7, 2021 and recognized as the Group's related parties since then.

34 MATERIAL RELATED PARTY TRANSACTIONS - *continued*

(c) Other significant related party transactions

The Group had following transactions with related parties:

	2022 RMB'000	2021 RMB'000
Purchase of goods		
Jiangsu Simcare Pharmaceutical Co., Ltd.	—	1
Simcare Jiangsu Pharmaceutical Co., Ltd.	—	13
Jiangsu Yoai Technology Co., Ltd.	154	798
Nanjing Jiayuantang Biological Technology Co., Ltd.	1,332	2,406
	1,486	3,218
Purchase of services		
BioSciKin Precision Medical Holding Group Co., Ltd.	—	22
Jiangsu BioSciKin Transformation Medical Technology Co., Ltd.	—	191
Nanjing Medway Culture Media Co., Ltd.	1,318	109
Nanjing Simcere Medical Inspection Laboratory Co., Ltd.	1,453	363
Jiangsu Simcere Medical Diagnostics Co., Ltd.	—	30
Nanjing Xuanwu Youai Clinic Co., Ltd.	84	19
	2,855	734
Sales of goods		
Beijing Sanroad Biological Products Co., Ltd.	4	—
Jiangsu Simcare Pharmaceutical Co., Ltd.	—	2,206
Simcare Jiangsu Pharmaceutical Co., Ltd.	—	602
	4	2,808
Rendering of services		
Beijing Sanroad Biological Products Co., Ltd.	5	57,487
Jiangsu Simcere Medical Diagnostics Co., Ltd.	136	312
Nanjing BioSciKin Innovative Pharmaceutical Retail Co., Ltd.	—	22
Shanghai Xianbo Biological Technology Co., Ltd.	—	2,790
Hainan Vision Baihui Biotechnology Co., Ltd.	—	50
	141	60,661

34 MATERIAL RELATED PARTY TRANSACTIONS - *continued*

(c) Other significant related party transactions - *continued*

	2022 RMB'000	2021 RMB'000
Receiving rental, property management and other related services		
BioSciKin Precision Medical Holding Group Co., Ltd.	48,552	46,530
Nanjing BioSciKin Asset Management Co., Ltd.	2,400	2,301
	50,952	48,831
Providing rental, property management and other related services		
Xianwei (Hainan) Biotechnology Co., Ltd.	1,303	—
Shanghai Youxu Medical Equipment Co., Ltd.	—	27
3D Biological Medicines (Shanghai) Co., Ltd.	—	4,256
Shanghai Xianbo Biological Technology Co., Ltd.	8,120	6,343
	9,423	10,626
Payments made on behalf of the Group		
Simcere Innovation Inc.	3,578	1,102
Payments made on behalf of related party		
Shanghai Xianbo Biological Technology Co., Ltd.	3,496	2,661
Loans repaid by related parties		
Shanghai Xianbo Biological Technology Co., Ltd.	—	279,228
Simnova Biotherapeutics Limited	—	135,490
Simcere Innovation Inc.	—	31,112
	—	445,830
Disposal of interest in subsidiaries to		
Simcere Investments Group Limited	—	104,170

34 MATERIAL RELATED PARTY TRANSACTIONS - *continued*

(d) Significant related party balances

The Group had following trade in nature balances with related parties:

Trade in nature:	2022 RMB'000	2021 RMB'000
Trade receivables		
Hainan Vision Baihui Biotechnology Co., Ltd.	—	—
Beijing Sanroad Biological Products Co., Ltd.	—	7,222
Jiangsu Simcere Medical Diagnostics Co., Ltd.	—	10
Shanghai Xianbo Biological Technology Co.,Ltd.	—	232
	—	7,464
Prepayments, deposits and other receivables		
Xianwei (Hainan) Biotechnology Co., Ltd.	1,003	—
Jiangsu Simcere Medical Diagnostics Co., Ltd.	22	—
Jiangsu Yoai Technology Co., Ltd.	124	124
Beijing Sanroad Biological Products Co., Ltd.	—	5,000
Hainan Vision Baihui Biotechnology Co., Ltd	50	50
Shanghai Xianbo Biological Technology Co., Ltd.	5,172	3,398
BioSciKin Precision Medical Holding Group Co., Ltd.	—	39
	6,371	8,611
Other payables and accruals		
Nanjing Simcere Medical Inspection Laboratory Co., Ltd.	384	—
Nanjing Xuanwu Youai Clinic Co., Ltd.	18	—
Nanjing Medway Culture Media Co., Ltd.	—	15
BioSciKin Precision Medical Holding Group Co., Ltd.	1,213	—
Jiangsu Yoai Technology Co., Ltd.	—	396
Jiangsu BioSciKin Transformation Medical Technology Co., Ltd.	—	186
Beijing Sanroad Biological Products Co., Ltd.	432	—
Nanjing Jiayuantang Biological Technology Co., Ltd.	334	579
	2,381	1,176

34 MATERIAL RELATED PARTY TRANSACTIONS - *continued*

(d) Significant related party balances - *continued*

The Group had following non-trade in nature balances with related parties:

Non-trade in nature:	2022 RMB'000	2021 RMB'000
Lease liabilities		
BioSciKin Precision Medical Holding Group Co., Ltd.	70,148	69,836
Other payables		
Simcere Innovation Inc	3,578	—
Other receivables		
Shanghai Xianbo Biological Technology Co.,Ltd.	3,496	—

(e) Leasing arrangements

In 2022, the Group newly entered into lease contracts with a related party in respect of leasehold property for research and development activities or office use, with lease term of three years. The monthly rental payment by the Group under these leases is RMB797,000, which was determined with reference to amounts charged by the related party to third parties. At the commencement date of the lease, the Group recognized a right-of-use asset and a lease liability of RMB27,566,000.

In 2021, the Group newly entered into a lease contract with a related party in respect of leasehold property for office use, with lease term of five years. The monthly rental payment by the Group under this lease is RMB35,000, which was determined with reference to amounts charged by the related party to third parties. At the commencement date of the lease, the Group recognized a right-of-use asset and a lease liability of RMB1,642,000.

(f) Applicability of the Listing Rules relating to connected transactions

The related party transactions during the year ended December 31, 2022 in respect of receiving rental, property management and other related services from BioSciKin Precision Medical Holding Group Co., Ltd. and Nanjing BioSciKin Asset Management Co., Ltd., providing rental, property management and other related services to Shanghai Xianbo Biological Technology Co., Ltd., and purchasing service from Nanjing Simcere Medical Inspection Laboratory Co., Ltd., above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section Continuing Connected Transactions of the Directors' Report.

34 MATERIAL RELATED PARTY TRANSACTIONS - *continued*

(f) Applicability of the Listing Rules relating to connected transactions - *continued*

The related party transactions in respect of purchasing of goods from Jiangsu Yoai Technology Co., Ltd. and Nanjing Jiayuantang Biological Technology Co., Ltd., purchasing of service from Nanjing Medway Culture Media Co., Ltd. and Nanjing Xuanwu Youai Clinic Co., Ltd., sales of goods to Beijing Sanroad Biological Products Co., Ltd., providing rental, property management and other related services to Xianwei (Hainan) Biotechnology Co., Ltd., and rendering of service to Jiangsu Simcere Medical Diagnostics Co., Ltd. and Beijing Sanroad Biological Products Co., Ltd. above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1) or they are sharing of administrative services under Rule 14A.98.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and financial risk management policies and practices used by the Group to manage these risks are described below:

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents, pledged deposits, restricted deposits, time deposits and bills receivable is limited because the counterparties are reputable financial institutions with high credit standing, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2022, 1% (2021: 1%) of trade receivables were due from the Group's largest customer and 15% (2021: 15%) of trade receivables were due from the Group's five largest customers.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS - *continued*

(a) Credit risk - *continued*

Trade receivables - continued

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables at the end of each reporting period:

	At December 31, 2022		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.6%	1,368,053	8,764
Less than 3 months past due	1.0%	482,410	4,946
More than 3 months but less than 12 months past due	11.4%	10,588	1,211
More than 12 months past due	95.0%	10,263	9,754
		1,871,314	24,675

	At December 31, 2021		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.7%	1,152,993	8,152
Less than 3 months past due	0.9%	770,043	7,302
More than 3 months but less than 12 months past due	6.6%	71,794	4,738
More than 12 months past due	80.0%	22,490	17,996
		2,017,320	38,188

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS - *continued*

(a) Credit risk - *continued*

Trade receivables - continued

Movement in the loss allowance in respect of trade receivables is as follows:

	2022 RMB'000	2021 RMB'000
At the beginning of the year	38,188	20,841
Amounts written off	—	(100)
(Reversal)/recognition of impairment loss	(13,513)	17,447
At the end of the year	24,675	38,188

The following significant changes in the gross carrying amounts of trade receivables contributed to the change in the loss allowance:

— origination of new trade receivables net of those settled resulted in an increase in loss allowance of RMB612,000 (2021: RMB5,314,000); and

— change in past due trade receivables resulted in a decrease in loss allowance of RMB14,125,000 (2021: increase RMB12,033,000).

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS - *continued*

(b) Liquidity risk - *continued*

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay:

	At December 31, 2022					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at December 31, 2022 RMB'000
Bank loans	1,298,619	–	–	–	1,298,619	1,292,067
Lease liabilities	64,396	61,195	89,013	16,654	231,258	214,677
Trade and bills payables	334,444	–	–	–	334,444	334,444
Other payables and accruals	1,267,899	–	–	–	1,267,899	1,267,899
	2,965,358	61,195	89,013	16,654	3,132,220	3,109,087

	At December 31, 2021					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at December 31, 2021 RMB'000
Bank loans	1,543,082	–	–	–	1,543,082	1,530,085
Lease liabilities	34,889	32,824	44,638	–	112,351	105,797
Trade and bills payables	323,951	–	–	–	323,951	323,951
Other payables and accruals	1,162,014	–	–	–	1,162,014	1,162,014
	3,063,936	32,824	44,638	–	3,141,398	3,121,847

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS - *continued*

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from short-term and long-term borrowings and time deposits. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below:

(i) Interest rate profile

The following table details the interest rate profile of the Group's total borrowings and time deposits as at the end of each reporting period:

	2022		2021	
	Effective Interest rate %	Amount RMB'000	Effective Interest rate %	Amount RMB'000
Fixed rate financial instruments:				
Financial assets				
— Time deposits (current)	1.55%-3.65%	964,226	1.55%-3.20%	1,210,078
— Time deposits (non-current)	3.85%	10,752	3.65%-3.85%	410,000
Financial liability:				
— Bank loans	1.0%-2.73%	(1,193,067)	0.2%-3.6%	(1,145,517)
Total		(218,089)		474,561
Variable rate instruments:				
Financial liability:				
— Bank loans	LPR-0.9%	(99,000)	1M-HIBOR+1.72%	(384,568)
Total		(317,089)		89,993

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS - *continued*

(c) Interest rate risk - *continued*

(ii) Sensitivity analysis

As the Group accounts for the above fixed rate financial instruments at amortized cost, change in interest rates would have no impact on the Group's financial statements. For the variable rate instruments, at December 31, 2022, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB841,000(2021: RMB3,211,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualized impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2021.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and borrowings which give rise to cash balances and bank loans that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily USD, EUR and RMB.

(i) Exposure to currency risk

The following table details the Group's exposure as at December 31, 2022 to currency risk arising from the recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of exposure are shown in RMB translated using the spot rate of the end of each reporting period. Differences resulting from the translation of the financial statements of the Group's subsidiaries with functional currency other than RMB into the Group's presentation currency are excluded.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS - *continued*

(d) Currency risk - *continued*

(i) Exposure to currency risk - continued

	2022 RMB'000	2021 RMB'000
USD		
Cash and cash equivalents	229,311	7,084
Trade and other receivables	13,755	—
Trade and other payables	(199,321)	(38,303)
Net exposure	43,745	(31,219)

	2022 RMB'000	2021 RMB'000
EUR		
Cash and cash equivalents	23	25
Bank loans	(359,788)	(230,308)
Trade and other receivables	—	379
Trade and other payables	—	(893)
Net exposure	(359,765)	(230,797)

	2022 RMB'000	2021 RMB'000
RMB		
Cash and cash equivalents	57,751	347,657
Deposits	500,000	1,000,000
Trade and other receivables	78,596	—
Trade and other payables	(201,297)	—
Net exposure	435,050	1,347,657

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS - *continued*

(d) Currency risk - *continued*

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of each reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	2022		2021	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000
USD	5%	609	5%	(1,303)
	(5%)	(609)	(5%)	1,303
EUR	5%	(14,545)	5%	(9,808)
	(5%)	14,545	(5%)	9,808
RMB	5%	16,859	5%	53,585
	(5%)	(16,859)	(5%)	(53,585)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group subsidiaries' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of each reporting period for presentation purpose.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk as at December 31, 2022. The analysis excludes differences that would result from the translation of the financial statements of entities whose functional currency is not RMB. The analysis is performed on the same basis for the year ended December 31, 2021.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS - *continued*

(e) Fair value measurement

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;

— Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group has a team headed by the finance manager performing valuations for the financial instruments, including unlisted equity securities, unlisted investments and unlisted units in investment funds which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer is held twice a year, to coincide with the reporting dates.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS - *continued*

(e) Fair value measurement - *continued*

Fair value hierarchy - continued

	Fair value at December 31, 2022	Fair value measurement at December 31,2022 categorized into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial assets at FVOCI				
— Listed equity securities	23,414	23,414	—	—
— Unlisted equity securities	114,360	—	114,360	—
Financial assets at FVPL				
— Listed equity security	876,263	876,263	—	—
— Unlisted investments	517,555	—	293,176	224,379
— Unlisted units in investment funds	662,882	—	—	662,882

	Fair value at December 31, 2021	Fair value measurement at December 31,2021 categorized into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial assets at FVOCI				
— Listed equity securities	240,527	240,527	—	—
— Unlisted equity securities	51,200	—	51,200	—
Financial assets at FVPL				
— Listed equity security	16,307	16,307	—	—
— Unlisted investments	750,959	—	254,288	496,671
— Unlisted units in investment funds	1,173,109	—	—	1,173,109

During the year ended December 31, 2022, there were no transfers between Level 1 and Level 2. During the year ended December 31, 2022, there were transfers of amount of RMB174,532,000 from level 2 to level 3 due to significant unobservable inputs in 2022. During the year ended December 31, 2022, there were transfers of amount of RMB423,941,000 (2021: RMB nil) from Level 3 to Level 1 due to the listing of the equity security. During the year ended December 31, 2022, there were transfers of amount of RMB6,797,000 (2021: RMB48,035,000) from Level 3 to Level 2 due to the available recently comparable transaction not using significant unobservable inputs in 2022. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(Expressed in Renminbi)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS - *continued*

(e) Fair value measurement - *continued*

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of unlisted equity securities and certain unlisted investments in Level 2 is determined by recent comparable transaction price on the market. These investments were either acquired, re-invested by the Group recently or newly financed on the market.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs
Unlisted investments	Valuation multiples (Note i)	Changing trend of medium market multiples of comparable companies/medium market multiples of comparable companies
Unlisted units in investment funds	Net asset value (Note ii)	Net asset value of underlying investments

Notes:

(i) The fair value of certain unlisted investments is determined using valuation multiples adjusted for changing trend of medium market multiples of comparable companies or medium market multiples of comparable companies. The fair value measurement is positively correlated to the changing trend of medium market multiples of comparable companies. As at December 31, 2022, it is estimated that with all other variables held constant, an increase/decrease in change of medium market multiples of comparable companies by 5% would have increased/decreased the Group's profit for the year by RMB9,451,000 (2021: RMB2,857,000).

(ii) The fair value of unlisted units in investment funds is determined referencing net asset value of underlying investments. The fair value measurement is positively correlated to net asset value of underlying investments. As at December 31, 2022, it is estimated that with all other variables held constant, an increase/decrease in net asset value of underlying investments by 5% would have increased/decreased the Group's profit for the year by RMB27,116,000 (2021: RMB48,333,000).

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS - *continued*

(e) Fair value measurement - *continued*

Information about Level 3 fair value measurements - continued

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level 3 of the fair value hierarchy:

	Financial assets at FVOCI RMB'000	Financial assets at FVPL RMB'000	Total RMB'000
As at January 1, 2021	30,423	1,231,701	1,262,124
Net realized and unrealized losses on financial assets at fair value through profit or loss	—	51,954	51,954
Purchases	—	426,757	426,757
Sales and settlements	—	(392,090)	(392,090)
Exchange difference	—	(24,448)	(24,448)
Reclass from investment in associates	—	423,941	423,941
Transfer into Level 2	(30,423)	(48,035)	(78,458)
As at December 31, 2021 and January 1, 2022	—	1,669,780	1,669,780
Net realized and unrealized losses on financial assets at fair value through profit or loss	—	**(604,284)**	**(604,284)**
Purchases	—	**61,804**	**61,804**
Sales and settlements	—	**(52,728)**	**(52,728)**
Exchange difference	—	**68,895**	**68,895**
Transfer into Level 1	—	**(423,941)**	**(423,941)**
Transfer into Level 2	—	**(6,797)**	**(6,797)**
Transfer from Level 2	—	**174,532**	**174,532**
As at December 31, 2022	—	**887,261**	**887,261**

All financial instruments carried at cost or amortized cost are at amounts not materially different from their values as at December 31, 2022.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS - *continued*

(f) Equity price risk

The Group is exposed to equity price changes arising from financial assets measured as FVPL or FVOCI (see Notes 18 and 19).

The Group's listed investments are listed on the NASDAQ or Hong Kong Stock Exchange. All of the Group's listed and unquoted investments are held for long-term strategic purposes. Their performance is assessed at least semi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long-term strategic plans.

As at December 31, 2022, it is estimated that an increase/(decrease) of 1% (2021: 1%) in the equity prices of the respective instruments, with all other variables held constant, would have increased/decreased the Group's profit after tax (and retained profits) and other components of consolidated equity as follows:

		2022		2021	
		Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000
Change in the equity price					
Increase	1%	7,317	199	136	2,044
Decrease	(1%)	(7,317)	(199)	(136)	(2,044)

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2021.

36 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2022 RMB'000	2021 RMB'000
Non-current assets		
Property, plant and equipment	12	23
Interest in subsidiaries	3,953,928	3,048,379
Financial assets at fair value through profit or loss	1,400,451	1,344,856
	5,354,391	4,393,258
Current assets		
Other receivables	166	26,166
Amount due from subsidiaries	175,860	527,334
Loans to subsidiaries	14,179	329,603
Time deposits	512,506	1,000,000
Cash and cash equivalents	80,859	355,204
	783,570	2,238,307
Current liabilities		
Bank loans	—	384,568
Loans from subsidiaries	373,671	190,307
Amount due to subsidiaries	—	347,579
Other payables	5,609	35,487
Taxation payable	10,417	10,417
	389,697	968,358
Net current assets	393,873	1,269,949
Total assets less current liabilities	5,748,264	5,663,207
NET ASSETS	5,748,264	5,663,207
CAPITAL AND RESERVES		
Share capital	3,081,131	3,002,871
Reserves	2,667,133	2,660,336
TOTAL EQUITY	5,748,264	5,663,207

Approved and authorised for issue by the board of directors on March 31, 2023.

Ren Jinsheng
Director

Wan Yushan
Director

(Expressed in Renminbi)

37 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) On February 14, 2023, the Group entered into an agreement with a third party to partially dispose its equity interests in BCY, representing 50% of the entire equity in BCY, at a cash consideration of RMB200,000,000. Upon the completion of the disposal, the Group will lose its control over BCY and the Group's remaining shareholding in BCY will decrease to 13.57%.

(b) After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in Note 31(b).

38 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At December 31, 2022, the directors of the Company consider the immediate parent of the Group is Simcere Pharmaceutical Holding Limited, a company incorporated in Cayman Islands. The ultimate controlling party of the Group is Mr. Ren Jinsheng, Chairman of the Group. Simcere Pharmaceutical Holding Limited does not produce financial statements available for public use.

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standard, which are not yet effective for the year ended December 31, 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Classification of Liabilities as Current or Non-current*	January 1, 2024
HKFRS 17, *Insurance contracts*	January 1, 2023
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	January 1, 2023
Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*	January 1, 2023
Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*	January 1, 2023
Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*	January 1, 2023
Amendments to HKFRS 16, *Lease Liability in a Sale and Leaseback*	January 1, 2024
Amendments to HKAS 1, *Non-current Liabilities with Covenants*	January 1, 2024

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FINANCIAL SUMMARY

RESULTS

	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	**6,319,096**	4,999,718	4,508,720	5,036,658	4,514,204
Gross Profit	**4,996,850**	3,919,735	3,608,793	4,148,172	3,743,009
Other net gain	**254,264**	1,215,210	326,924	15,941	90,501
Research and development costs	**(1,728,269)**	(1,416,721)	(1,141,996)	(716,412)	(447,148)
Profit before taxation	**888,154**	1,401,797	805,088	1,081,815	929,044
Profit for the year	**928,632**	1,498,921	664,287	1,003,624	733,687
Profit for the year attributable to equity shareholders of the Company	**932,768**	1,507,096	669,534	1,003,624	733,687

ASSETS AND LIABILITIES

	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Non-current assets	**5,327,329**	5,181,594	4,476,578	3,869,229	2,672,707
Current assets	**5,453,784**	4,979,549	6,466,832	2,897,641	3,665,628
Total assets	**10,781,113**	10,161,143	10,943,410	6,766,870	6,338,335
Non-current liabilities	**(674,562)**	(634,623)	(2,110,528)	(1,857,901)	(661,801)
Current liabilities	**(2,963,728)**	(3,063,763)	(3,497,158)	(3,428,505)	(4,111,400)
Total liabilities	**(3,638,290)**	(3,698,386)	(5,607,686)	(5,286,406)	(4,773,201)
Total equity	**(7,142,823)**	(6,462,757)	(5,335,724)	(1,480,464)	(1,565,134)