FOSUN PHARMA
复星医药

上海復星醫藥(集團)股份有限公司

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

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

(Stock Code: 02196)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the "**Board**") of directors (the "**Directors**") of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2019 (the "**Reporting Period**").

FINANCIAL HIGHLIGHTS

Interim Condensed Consolidated Statement of Profit or Loss

Six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019	2018
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*3*	**14,085,146**	11,766,540
Cost of sales		**(5,598,983)**	(4,945,865)
Gross profit		**8,486,163**	6,820,675
Other income	*4*	**109,724**	103,582
Selling and distribution expenses		**(4,998,448)**	(3,804,390)
Administrative expenses		**(1,147,889)**	(1,038,009)
Research and development expenses		**(849,383)**	(708,982)
Impairment losses on financial assets		**(21,918)**	(9,094)
Other gains	*5*	**389,686**	383,396
Other expenses		**(45,617)**	(35,844)
Interest income		**86,650**	60,074
Finance costs	*7*	**(546,940)**	(441,470)
Share of profits and losses of:			
Joint ventures		**(25,933)**	(20,341)
Associates		**760,055**	728,100
PROFIT BEFORE TAX	*6*	**2,196,150**	2,037,697
Income tax expense	*8*	**(376,521)**	(299,745)
PROFIT FOR THE PERIOD		**1,819,629**	1,737,952
Attributable to:			
Owners of the parent		**1,516,120**	1,560,471
Non-controlling interests		**303,509**	177,481
		1,819,629	1,737,952
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
— Basic		**RMB0.59**	RMB0.63
— Diluted		**RMB0.59**	RMB0.63

Interim Condensed Consolidated Statement of Comprehensive Income
Six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**1,819,629**	1,737,952
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**100,825**	(311,466)
Share of other comprehensive (loss)/income of associates	**(30,026)**	6,658
Net other comprehensive income/(loss) that may reclassified to profit or loss in subsequent periods	**70,799**	(304,808)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive loss		
Changes in fair value	**(26,819)**	(105,340)
Income tax effect	**(5)**	(39)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(26,824)**	(105,379)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**43,975**	(410,187)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,863,604**	1,327,765
Attributable to:		
Owners of the parent	**1,544,923**	1,161,686
Non-controlling interests	**318,681**	166,079
	1,863,604	1,327,765

Interim Condensed Consolidated Statement of Financial Position
30 June 2019

	Notes	**30 June 2019** ***RMB'000*** **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**9,511,615**	9,218,250
Prepaid land lease payments		**—**	1,522,752
Right-of-use assets		**2,009,676**	—
Goodwill		**8,861,251**	8,853,913
Other intangible assets		**8,056,471**	7,669,365
Investments in joint ventures		**420,960**	446,567
Investments in associates		**21,849,532**	20,924,073
Equity investments designated at fair value through other comprehensive income		**99,258**	126,313
Financial assets at fair value through profit or loss		**2,411,618**	2,505,807
Deferred tax assets		**232,836**	173,135
Other non-current assets		**1,802,681**	1,052,572
Total non-current assets		**55,255,898**	52,492,747
CURRENT ASSETS			
Inventories		**3,638,240**	3,287,392
Trade and bills receivables	*10*	**4,623,412**	4,336,151
Prepayments, other receivables and other assets		**1,452,227**	1,215,538
Financial assets at fair value through profit or loss		**573,011**	616,124
Debt investments at fair value through other comprehensive income		**350,156**	—
Cash and bank balances		**7,739,777**	8,546,522
Total current assets		**18,376,823**	18,001,727

	Notes	**30 June 2019** ***RMB'000*** **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
CURRENT LIABILITIES			
Trade and bills payables	*11*	**2,540,637**	2,333,283
Other payables and accruals		**5,364,324**	4,312,390
Interest-bearing bank and other borrowings		**9,252,030**	10,533,021
Contract liabilities		**405,772**	530,897
Tax payable		**278,553**	213,655
Total current liabilities		**17,841,316**	17,923,246
NET CURRENT ASSETS		**535,507**	78,481
TOTAL ASSETS LESS CURRENT LIABILITIES		**55,791,405**	52,571,228
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**15,003,936**	12,670,119
Deferred tax liabilities		**2,889,016**	2,908,359
Deferred income		**360,568**	363,488
Other long term liabilities		**2,980,576**	3,021,922
Contract liabilities		**96,823**	71,513
Total non-current liabilities		**21,330,919**	19,035,401
Net assets		**34,460,486**	33,535,827
EQUITY			
Equity attributable to owners of the parent			
Issued share capital		**2,562,899**	2,563,061
Treasury shares		**—**	(1,711)
Reserves		**26,108,576**	25,359,500
		28,671,475	27,920,850
Non-controlling interests		**5,789,011**	5,614,977
Total equity		**34,460,486**	33,535,827

1. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

1.1 Basis of Preparation

The interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

1.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new standards amendments effective as of 1 January 2019 as follows:

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HKRIC Interpretation 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*

Other than as explained below regarding the impact of HKFRS 16 Leases, Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures and HK(IFRIC)-Int 23 Uncertainty over Income Tax Treatments, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

(a) ***Adoption of HKFRS 16***

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a 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 obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of buildings, motor vehicles, plant and machinery, and land. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., vehicles and furniture); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of RMB24,216,000 that were reclassified from property, plant and equipment.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *RMB'000* (Unaudited)
Assets	
Increase in right-of-use assets	1,936,620
Decrease in prepaid land lease payments	(1,522,752)
Decrease in property, plant and equipment	(24,216)
Increase in total assets	389,652
Liabilities	
Increase in interest-bearing bank and other borrowings	412,221
Decrease in other payables and accruals	(3,776)
Decrease in other long- term liabilities	(18,793)
Increase in total liabilities	389,652

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at December 31, 2018	448,164
Weighted average incremental borrowing rate as at January 1, 2019	4.72%
Discounted operating lease commitments as at January 1, 2019	409,160
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before December 31, 2019	19,755
Commitments relating to leases of low-value assets	49
Add: Commitments relating to leases previously classified as finance leases	22,569
Payments for optional extension periods not recognised as at 31 December 2018	296
Lease liabilities as at 1 January 2019	412,221

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for ''inventories''. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (including within "interest-bearing bank and other borrowings"), and the movement during the period are as follows:

	Right-of-use assets					
	Buildings	Motor vehicles	Plant and machinery	Land	Total	Lease liabilities
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019	**378,239**	**11,412**	**24,217**	**1,522,752**	**1,936,620**	**412,221**
Additions	**112,559**	**3,424**	**5,295**	**26,454**	**147,732**	**107,796**
Depreciation charge	**(51,646)**	**(2,489)**	**(6,339)**	**(14,442)**	**(74,916)**	**—**
Interest expense	**—**	**—**	**—**	**—**	**—**	**12,355**
Payments	**—**	**—**	**—**	**—**	**—**	**(54,377)**
Effect of foreign exchange rate changes, net	**83**	**157**	**—**	**—**	**240**	**2,752**
As at 30 June 2019	**439,235**	**12,504**	**23,173**	**1,534,764**	**2,009,676**	**480,747**

The Group recognised rental expenses from short-term leases and low-value assets of RMB10,981,000 for six months ended 30 June 2019.

(b) ***Adoption of HK(IFRIC)-Inc 23***

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

(c) ***Adoption of Amendments to HKAS 28***

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

2 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

(a) the pharmaceutical manufacturing and R&D segment mainly engages in the production, sale and research of medicine;

(b) the healthcare service segment mainly engages in the provision of healthcare service and hospital management;

(c) the medical devices and medical diagnosis segment mainly engages in the production and sale of medical devices and diagnostic products;

(d) the pharmaceutical distribution and retail segment mainly engages in the retail and wholesale of medicine; and

(e) the other business operations segment comprises businesses other than those mentioned above.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss after tax. The adjusted profit or loss after tax is measured consistently with the Group's profit or loss after tax except that dividend income from financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income, gain or loss on disposal of financial assets at fair value through profit or loss, fair value gain or loss on financial assets at fair value through profit or loss, as well as head office and investment management entities income and expenses are excluded from such measurement.

Intersegment revenues are eliminated on consolidation. Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Segment assets exclude financial assets at fair value through profit or loss, Financial assets at fair value through other comprehensive income and unallocated head office and investment management entities assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, interest payable and unallocated head office and investment management entities liabilities as these liabilities are managed on a group basis.

Six months ended 30 June 2019 (unaudited)

	Pharmaceutical manufacturing and R&D *RMB'000*	Healthcare Service *RMB'000*	Medical devices and medical diagnosis *RMB'000*	Pharmaceutical distribution and retail *RMB'000*	Other business operations *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Segment revenue:							
Sales to external customers	**10,814,123**	**1,458,512**	**1,792,865**	**—**	**19,646**	**—**	**14,085,146**
Intersegment sales	**8,421**	**1,876**	**19,401**	**—**	**20,674**	**(50,372)**	**—**
Total revenue	**10,822,544**	**1,460,388**	**1,812,266**	**—**	**40,320**	**(50,372)**	**14,085,146**
Segment results*	**1,204,721**	**168,982**	**291,795**	**—**	**10,328**	**(19,887)**	**1,655,939**
Other income	**75,540**	**3,681**	**13,034**	**—**	**3,326**	**—**	**95,581**
Other gains	**281,499**	**(748)**	**(3,481)**	**7,274**	**2,679**	**—**	**287,223**
Interest income	**50,628**	**21,874**	**16,153**	**—**	**216**	**(1,236)**	**87,635**
Finance costs	**(56,712)**	**(12,032)**	**(9,467)**	**—**	**(6,320)**	**29,102**	**(55,429)**
Other expenses	**(15,616)**	**(15,446)**	**(22,095)**	**—**	**1,121**	**—**	**(52,036)**
Share of profits and losses of:							
Joint ventures	**(25,565)**	**—**	**477**	**—**	**(845)**	**—**	**(25,933)**
Associates	**37,529**	**(13,655)**	**(25,330)**	**774,939**	**(13,428)**	**—**	**760,055**
Unallocated other income, interest income and other gains							**115,621**
Unallocated finance cost							**(491,511)**
Unallocated expenses							**(180,995)**
Profit before tax	**1,552,024**	**152,656**	**261,086**	**782,213**	**(2,923)**	**7,979**	**2,196,150**
Tax	**(319,655)**	**(51,774)**	**(30,673)**	**—**	**(258)**	**—**	**(402,360)**
Unallocated tax							**25,839**
Profit for the period	**1,232,369**	**100,882**	**230,413**	**782,213**	**(3,181)**	**7,979**	**1,819,629**
Segment assets:	**36,425,494**	**10,781,464**	**6,874,258**	**12,429,996**	**4,362,843**	**(1,490,584)**	**69,383,471**
Including:							
Investments in joint ventures	**399,018**	**—**	**12,808**	**—**	**9,134**	**—**	**420,960**
Investments in associates	**2,153,707**	**3,232,275**	**948,143**	**12,429,996**	**3,085,411**	**—**	**21,849,532**
Unallocated assets							**4,249,250**
Total assets							**73,632,721**
Segment liabilities:	**15,346,659**	**1,698,142**	**1,505,277**	**—**	**281,002**	**(8,590,276)**	**10,240,804**
Unallocated liabilities							**28,931,431**
Total liabilities							**39,172,235**
Other segment information:							
Depreciation and amortisation	**502,504**	**133,338**	**85,220**	**—**	**19,190**	**—**	**740,252**
Provision for impairment of inventories	**698**	**—**	**3,539**	**—**	**—**	**—**	**4,237**
Impairment losses on financial assets	**1,737**	**6,493**	**15,886**	**—**	**(2,198)**	**—**	**21,918**
Capital expenditure**	**1,016,436**	**160,766**	**85,165**	**—**	**95,489**	**—**	**1,357,856**

* Segment results are obtained as segment revenue less cost of sales, selling and distribution expenses, administrative expenses and research and development expenses.

** Capital expenditure consists of additions to property, plant and equipment, other intangible assets and prepaid land lease payments (not including the addition from acquisition of subsidiaries).

Six months ended 30 June 2018 (unaudited)

	Pharmaceutical manufacturing and R&D *RMB'000*	Healthcare Service *RMB'000*	Medical devices and medical diagnosis *RMB'000*	Pharmaceutical distribution and retail *RMB'000*	Other business operations *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Segment revenue:							
Sales to external customers	8,871,813	1,199,330	1,682,119	—	13,278	—	11,766,540
Intersegment sales	8,128	1,658	11,872	—	46,267	(67,925)	—
Total revenue	8,879,941	1,200,988	1,693,991	—	59,545	(67,925)	11,766,540
Segment results*	1,035,178	155,888	280,505	—	7,997	(20,036)	1,459,532
Other income	79,051	8,832	12,135	—	—	—	100,018
Other gains	178,213	15,069	27,902	—	72,898	—	294,082
Interest income	34,604	22,067	9,130	—	135	(3,499)	62,437
Finance costs	(55,256)	(3,696)	(7,282)	—	(4,387)	51,438	(19,183)
Other expenses	(31,796)	1,354	(12,899)	—	(17)	—	(43,358)
Share of profits and losses of:							
Joint ventures	(19,957)	—	555	—	(939)	—	(20,341)
Associates	43,762	(15,516)	(11,688)	747,595	(36,053)	—	728,100
Unallocated other income, interest income and other gains							90,515
Unallocated finance cost							(422,287)
Unallocated expenses							(191,818)
Profit before tax	1,263,799	183,998	298,358	747,595	39,634	27,903	2,037,697
Tax	(258,519)	(50,440)	(45,780)	—	(1,467)	—	(356,206)
Unallocated tax							56,461
Profit for the period	1,005,280	133,558	252,578	747,595	38,167	27,903	1,737,952
Segment assets:	32,493,502	9,556,693	6,286,083	11,073,445	3,197,829	(879,709)	61,727,843
Including:							
Investments in joint ventures	401,031	—	12,947	—	11,020	—	424,998
Investments in associates	1,991,462	3,072,175	407,108	11,073,445	2,415,337	—	18,959,527
Unallocated assets							4,414,641
Total assets							66,142,484
Segment liabilities:	12,884,622	1,249,893	835,391	—	384,854	(7,002,804)	8,351,956
Unallocated liabilities							27,374,922
Total liabilities							35,726,878
Other segment information:							
Depreciation and amortisation	480,913	50,729	53,535	—	15,933	—	601,110
Provision for impairment of inventories	17,962	—	1,944	—	—	—	19,906
Impairment losses on financial assets	4,891	(4,198)	8,401	—	—	—	9,094
Capital expenditure**	788,720	237,374	93,057	—	216,743	—	1,335,894

* Segment results are obtained as segment revenue less cost of sales, selling and distribution expenses, administrative expenses and research and development expenses.

** Capital expenditure consists of additions to property, plant and equipment, other intangible assets and prepaid land lease payments (not including the addition from acquisition of subsidiaries).

3. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the value of services rendered.

An analysis of the Group's revenue is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sale of goods	**12,262,812**	10,277,575
Rendering of services	**1,801,231**	1,472,731
Sale of materials	**21,103**	16,234
	14,085,146	11,766,540

4. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividend income from financial assets at fair value through profit or loss and equity investments designated at fair value through other comprehensive income	**17,523**	2,944
Government grants	**92,104**	100,638
Others	**97**	—
	109,724	103,582

5. OTHER GAINS

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Gain on disposal of shareholdings in joint ventures and associates	**27,528**	97,119
Fair value gains on financial assets at fair value through profit or loss	**327,405**	228,976
Gain on disposal of subsidiaries	**2,186**	15,052
Others	**32,567**	42,249
	389,686	383,396

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**4,263,438**	3,978,177
Cost of services provided	**1,335,545**	967,688
Staff costs (including Directors', Supervisors' and Chief Executive's remuneration)		
Salaries and other staff costs	**1,952,209**	1,644,363
Retirement benefits:		
Defined contribution fund	**134,290**	90,619
Accommodation benefits:		
Defined contribution fund	**67,904**	52,564
Share-based payment	**46,956**	1,517
	2,201,359	1,789,063
Research and development expenses:		
Current period expenditure excluding amortisation of other intangible assets	**816,188**	675,403
Less: Government grants for R&D projects*	**12,128**	6,403
	804,060	669,000
Operating lease payments	**—**	49,594
Rental expenses from short term and low value assets	**10,981**	—
Depreciation of property, plant and equipment	**458,599**	396,166
Depreciation of right-of-use assets	**74,916**	—
Amortisation of prepaid land lease payments	**—**	14,132
Amortisation of other intangible assets	**206,737**	190,812
Provision for impairment of inventories	**4,237**	19,906
Impairment losses on financial assets	**21,918**	9,094
Fair value gain on financial assets at fair value through profit or loss	**(327,405)**	(228,976)
Foreign exchange gain, net	**(6,028)**	(37,363)
(Gain)/loss on disposals of items of property, plant and equipment	**(18,465)**	2,497

* The Group received various government grants related to research and development projects. The government grants received have been deducted from the research and development expenses to which they relate. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the consolidated statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

7. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings (excluding lease liabilities)	**543,161**	447,513
Interest on lease liabilities	**12,355**	—
Less: Interest capitalised	**(8,576)**	(6,043)
Interest expenses, net	**546,940**	441,470

8. INCOME TAX

The provision for Mainland China current income tax is based on a statutory rate of 25% (for the six months ended 30 June 2018: 25%) of the taxable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China, which are taxed at preferential rates of 0% to 20%.

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated taxable profits arising in Hong Kong during the period. The provision of current income tax of Alma Lasers Ltd., a subsidiary of the Company incorporated in Israel, is based on a preferential rate of 8.44%. The provision of current tax of Gland Pharma Limited ("**Gland Pharma**"), a subsidiary of the Group incorporated in India, is based on a statutory rate of 34.61% before 1 April 2018, and 34.94% after 1 April 2018. The provision of current tax of Breas Medical Holdings AB ("**Breas**"), a subsidiary of the Group incorporated in Sweden, is based on a statutory rate of 22%. The provision of current tax of Tridem Pharma S.A.S ("**Tridem Pharma**"), a subsidiary of the Group incorporated in France, is based on a statutory rate of 33.33%.

The major components of tax expenses for the six months ended 30 June 2019 and 2018 are as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current	**464,045**	343,055
Deferred	**(87,524)**	(43,310)
Total tax charge for the period	**376,521**	299,745

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent excluding cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future as of the balance sheet date and the weighted average number of ordinary shares of 2,563,006,778 (for the six months period ended 30 June 2018: 2,494,227,495) in issue excluding restricted shares during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of basic and diluted earnings per share is based on:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent	**1,516,120**	1,560,471
Less: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	**—**	(317)
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**1,516,120**	1,560,154

	Number of shares Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**2,563,006,778**	2,494,227,495
Effect of dilution — weighted average number of ordinary shares: Restricted shares	**—**	586,286
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	**2,563,006,778**	2,494,813,781

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2019.

10. TRADE AND BILLS RECEIVABLES

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**4,411,974**	3,623,640
Bills receivable	**211,438**	712,511
	4,623,412	4,336,151

The credit period for trade receivables is generally three months, which may be extended up to six months for major customers. Trade and bills receivables are non-interest-bearing.

An aged analysis of trade receivables as at the end of the Reporting Period, based on the invoice date, is as follows:

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Outstanding balances with ages:		
Within 1 year	**4,332,001**	3,559,594
1 to 2 years	**103,264**	80,773
2 to 3 years	**42,386**	70,289
Over 3 years	**97,218**	70,012
	4,574,869	3,780,668
Less: Provision for impairment	**(162,895)**	(157,028)
	4,411,974	3,623,640

11. TRADE AND BILLS PAYABLES

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**2,312,110**	2,184,280
Bills payable	**228,527**	149,003
	2,540,637	2,333,283

Trade and bills payables are non-interest-bearing and are normally settled on a three-month term.

An aged analysis of trade payables as at the end of the Reporting Period is as follows:

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Outstanding balances with ages:		
Within 1 year	**2,265,937**	2,136,439
1–2 years	**31,719**	30,222
2–3 years	**5,684**	9,072
Over 3 years	**8,770**	8,547
	2,312,110	2,184,280

12. DIVIDENDS

The Directors did not recommend the payment of an interim dividend in respect of the period (for the six months period ended 30 June 2018: Nil).

The proposed final dividend of RMB0.32 (tax included) per ordinary share for the year ended 31 December 2018 was approved by the shareholders at the annual general meeting of the Company on 25 June 2019.

13. EVENTS AFTER THE REPORTING PERIOD

(a) Partial disposal of Healthy Harmony Holdings, L.P. ("HHH") shares

On 30 July 2019, Fosun Industrial Co, Limited ("**Fosun Industrial**"), a subsidiary of the Company, together with other limit partners of HHH, entered in to a transaction agreement with NF Unicorn Acquisition L.P. ("**NF**") and its controlling shareholder New Frontier Corporation ("**NFC**"). On the same day, Fosun Industrial also signed a rollover agreement with NFC. According to the agreements, Fosun Industrial proposed to transfer its all 10,360,842 limited partnership interests in HHH and 4.32 shares in Healthy Harmony GP to NF, with a total amount of US$523.15 million, of which amounting to US$429.15 million will be paid in cash by NF, while the remaining US$94 million will be deducted by NFC for Fosun Industrial to subscribe 9.4 million new shares to be issued by NFC. After the completion of the transaction, HHH will become a wholly-owned subsidiary of NFC, and Fosun Industrial will be granted the rights to designated the director to NFC. Fosun Industrial's equity investment in NFC will be measured at the equity method.

(b) Acquisition of Chengdu List Pharmaceutical Co., Ltd* (成都力思特製藥股份有限公司) ("List Pharma")

On 25 June 2019, Aohong Pharmaceutical Co., Ltd.* (錦州奧鴻藥業有限責任公司) ("**Aohong Pharma**"), a subsidiary of the Group, submitted an application to the Shanghai United Assets and Equity Exchange ("**SUAEE**"), to participate in bidding for the public transfer of 54,752,825 shares of List Pharma held by China Sdic Gaoxin Industrial Investment Co, Ltd.* (中國國投高新產業投資有限公司) ("**SDIC GAOXIN**"). On the same day, Aohong Pharma signed a share transfer agreement with Chengdu List Investment(group) Co., Ltd.* (力思特投資(集團)有限公司) ("**List Group**") and seven natural persons, including Mr. Huang Shaoyuan, proposed to obtain 15,808,417 shares of List Pharma (accounting for 21.9166% of the total share capital) from above transferors with the consideration of RMB156.66 million.

As confirmed by SUAEE, Aohong pharma is qualified as the transferee and is the only competitive buyer. On 5 July 2019, Aohong Pharma signed the property rights transaction contract with SDIC GAOXIN, and Aohong Pharma proposed to receive 54,752,825 shares (accounting for about 75.9085% of the total share capital) of List Pharma held by SDIC GAOXIN at RMB579.63 million. Upon completion of the listing transfer and the agreement transfer, the Group (through its holding subsidiary, Aohong Pharma) will hold a total of 70,561,242 shares of List Pharma, accounting for 97.8251% of the total share capital.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The global and PRC economies were still under numerous challenges and uncertainties in the first half of 2019. Against this backdrop, the PRC medical system went through continuous and deepening reform, and medical insurance policies were constantly introduced. The growth of the pharmaceutical manufacturing industry slowed down, and the price of generic drugs was under considerable downward pressure, while the research of innovative drugs enjoyed a period of relatively rapid development. Medical devices and medical diagnosis benefited from the policies with opportunities for rapid development. With a strong demand for healthcare services and the gradual adjustment in the industry structure, the layout of healthcare service resources became more reasonable. During the Reporting Period, the Group adhered to its business philosophy of "Innovation for Good Health", focused on its core pharmaceutical and healthcare businesses, continued to develop product innovation and improve management as well as international development, actively promoted the strategies of organic growth, external expansion and integrated development, thereby maintaining the balanced growth of its principal businesses.

During the Reporting Period, the revenue of the Group increased by 19.70% as compared to the corresponding period in 2018 to RMB14,085 million, and excluding the impacts of the new acquisition of enterprises as comparable factors and other factors, the revenue would have increased by 19.55% on the same basis as compared to the corresponding period of 2018. In particular, the revenue from pharmaceutical manufacturing and research and development (R&D) segment amounted to RMB10,814 million, representing an increase of 21.89% as compared to the corresponding period of 2018. The revenue from healthcare service segment amounted to RMB1,459 million, representing an increase of 21.68% as compared to the corresponding period of 2018.

During the Reporting Period, the Group recorded revenue of RMB10,789 million in Mainland China, representing an increase of 23.49% as compared to the corresponding period of 2018. A revenue of RMB3,296 million was recorded from other countries or regions, representing an increase of 8.76% as compared to the corresponding period of 2018.

During the Reporting Period, the revenue from each segment was as follows:

Unit: million Currency: RMB

Business segment	**Revenue Jan–Jun 2019**	Revenue Jan–Jun 2018	Period-on-period increase/ decrease *(%)*
Pharmaceutical manufacturing and R&D	**10,814**	8,872	21.89
Healthcare services *(Note 1)*	**1,459**	1,199	21.68
Medical devices and medical diagnosis *(Note 2)*	**1,793**	1,682	6.60

Note 1: The revenue of healthcare services segment increased by 16.80% on the same basis as compared to the corresponding period of 2018;

Note 2: During the Reporting Period, the distribution business of Da Vinci surgical robot was transferred to Intuitive Fosun, a joint venture. Excluding the impacts of such transfer, the revenue of medical devices and medical diagnosis segment increased by 10.28% on the same basis as compared to the corresponding period of 2018.

During the Reporting Period, sales of the Group grew and the receivables' collection was good. As a result, cash flow from operating activities continued to show a rising trend. Net cash flow from operating activities amounted to RMB1,450 million, representing an increase of 13.40% as compared to the corresponding period of 2018.

During the Reporting Period, the Group continued to enhance its R&D investment. The total R&D investment for the first half of 2019 amounted to RMB1,351 million, representing an increase of RMB163 million or 13.69% as compared to the corresponding period of 2018. In particular, R&D expenses amounted to RMB849 million, representing an increase of RMB140 million or 19.80% as compared to the corresponding period of 2018. During the Reporting Period, the R&D investment in the pharmaceutical manufacturing and R&D segment amounted to RMB1,205 million, representing an increase of RMB141 million or 13.23% as compared to the corresponding period of 2018. In particular, the R&D expenses amounted to RMB724 million, representing an increase of RMB128 million or 21.45% as compared to the corresponding period of 2018.

During the Reporting Period, total profits and net profits of the Group amounted to RMB2,196 million and RMB1,820 million, respectively, representing an increase of 7.78% and 4.70% as compared to the corresponding period of 2018, respectively. The result for the second quarter and for the first half of 2019 has been improved compared with the first quarter 2019 and the second half of 2018 respectively. However, affected by factors such as initial losses in innovation incubation platforms established by the Group, including Fosun Lead (Shanghai) Healthcare Technology Co., Ltd.* (復星領智(上海)醫藥科技有限公司) ("**Fosun Lead**") and Fosun Orinove Pharma Tech Inc.* (復星弘創(蘇州)醫藥科技有限公司) ("**Fosun Orinove**"), the initial losses in U.S. and European subsidiaries, the clinical trials conducted by Shanghai Henlius Biotech

Company Limited* (上海復宏漢霖生物技術股份有限公司) ("**Shanghai Henlius**") for a number of biopharmaceutical innovative drugs, the intensified operating losses of joint ventures including Fosun Kite Biotechnology Co., Ltd. (復星凱特生物科技有限公司) ("**Fosun Kite**") and Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd.* (直觀復星醫療器械技術(上海)有限公司) ("**Intuitive Fosun**") due to business expansion and the advancement of R&D, and the increase in selling expenses due to the development of new product and new market, net profit attributable to shareholders of the Company and net profit (after extraordinary gain or loss) attributable to shareholders of the Company amounted to RMB1,516 million and RMB1,168 million, respectively, representing a decrease of 2.84% and 2.75%, as compared to the corresponding period of 2018.

Pharmaceutical Manufacturing and R&D

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group generated revenue of RMB10,814 million, representing an increase of 21.89% as compared to the corresponding period of 2018. The segment results and segment profit amounted to RMB1,205 million and RMB1,232 million, which increased by 16.38% and 22.59% as compared to the corresponding period of 2018, respectively. Gland Pharma was under solid operation. During the Reporting Period, Gland Pharma benefited from the growth of major products such as enoxaparin injection and daptomycin and recorded an increase in both revenue and net profit as compared to the corresponding period of 2018.

The pharmaceutical manufacturing and R&D segment of the Group continued to grow steadily and the development of its professional operational team was further strengthened. During the Reporting Period, the revenue of febuxostat tablets (You Li Tong), pitavastatin calcium tablets (Bang Zhi), enoxaparin injection, quetiapine fumarate tablets (Qi Wei), sulbactam sodium for injection (Qiang Shu Xi Lin), daptomycin and other core products sustained a rapid growth. Products that have passed the consistency evaluation, namely alfacalcidol tablets (Li Qing) and escitalopram tablets (Qi Cheng), were on the increase in sales revenue. The sales volume of febuxostat tablets (You Li Tong), pitavastatin calcium tablets (Bang Zhi) and quetiapine fumarate tablets (Qi Wei) recorded period-on-period growth of 117.4%, 115.9% and 30.7%, respectively. Rituximab injection (Han Li Kang), having become the first biosimilar in China that obtained approval for market launch, commenced sales in mid-May 2019 and quickly gained market recognition.

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

Unit: million Currency: RMB

Pharmaceutical manufacturing and R&D	**Jan–Jun 2019**	Jan–Jun 2018 *(Note 1)*	Period-on-period increase on the same basis *(%)*
Major products of cardiovascular system therapeutic area *(Note 2)*	**1,103**	910	21.14
Major products of central nervous system therapeutic area *(Note 3)*	**1,224**	685	78.80
Major products of blood system therapeutic area *(Note 4)*	**419**	308	35.80
Major products of metabolism and alimentary system therapeutic area *(Note 5)*	**1,807**	1,541	17.22
Major products of anti-infection therapeutic area *(Note 6)*	**2,331**	2,001	16.45
Major products of anti-tumor therapeutic area *(Note 7)*	**264**	257	2.47
Major products of APIs and intermediate products *(Note 8)*	**675**	665	1.40

Note 1: The sales revenue from January to June of 2018 was restated on the same basis. New products were introduced, including indapamide tablets and enoxaparin injection in the cardiovascular system therapeutic area; potassium chloride granules in the metabolism and the alimentary system therapeutic area; clindamycin hydrochloride capsules, cefminox sodium for injection (Mei Shi Ling) and azithromycin capsules (Xin Ye and Si Ke Ni) in the anti-infection therapeutic area; and rituximab injection (Han Li Kang) in the anti-tumor therapeutic area.

Note 2: Major products of cardiovascular system therapeutic area include enoxaparin injection and other heparin series preparations, alprostadil dried emulsion for injection (You Di Er), pitavastatin (Bang Zhi), meglumine adenosine cyclophosphate for injection (Xin Xian An), calcium dobesilate capsules (Ke Yuan), Telmisartan tablets (Bang Tan), amlodipine besylate tablets (Shi Li Da) and indapamide tablets.

Note 3: Major products of central nervous system therapeutic area include deproteinized calf blood injection (Ao De Jin), quetiapine fumarate tablets (Qi Wei) and escitalopram tablets (Qi Cheng).

Note 4: Major products of blood system therapeutic area include hemocoagulase for injection (Bang Ting) and Cobamamide for injection (Mi Le Ka).

Note 5: Major products of metabolism and alimentary system therapeutic area include reduced glutathione series (Atomolan injection and Atomolan tablets), febuxostat tablets (You Li Tong), recombinant human erythropoietin for injection (CHO cells) (Yi Bao), animal insulin and its preparations, thioctic acid injection (Fan Ke Jia), glimepiride tablets (Wan Su Ping), compound aloe capsules (Ke Yi), alfacalcidol tablets (Li Qing) and potassium chloride granules.

Note 6: Major products of anti-infection therapeutic area include cefmetazole sodium for injection (Xi Chang and Cefmetazon), potassium sodium dehydroandrographolide succinate for injection (Sha Duo Li Ka), piperacillin sodium and sulbactam sodium for injection (Qiang Shu Xi Lin), piperacillin sodium and sulbactam sodium for injection 3g (Qin Shu), antimalarial series such as artesunate, anti-tuberculosis series, piperacillin sodium and tazobactam sodium for injection (Pai Shu Xi Lin), daptomycin, cefminox sodium for injection (Mei Shi Ling), vancomycin, flucloxacillin sodium for injection (Ka Di), caspofungin, rabies vaccine (VERO cell) for human use (non-freeze dried), ceftizoxime sodium for injection (Er Ye Bi), azithromycin capsules (Xin Ye and Si Ke Ni) and clindamycin hydrochloride capsules.

Note 7: Major products of anti-tumor therapeutic area include Xihuang capsules (Ke Sheng), bicalutamide (Zhao Hui Xian), pemetrexed disodium for injection (Yi Luo Ze), rituximab injection (Han Li Kang), ondansetron, paclitaxel, oxaliplatin and carboplatin.

Note 8: Major products of APIs and intermediate products include amino acid series, tranexamic acid, clindamycin hydrochloride and levamisole hydrochloride.

The Group continued to improve its innovation system and optimize its pharmaceutical R&D system that integrated generic and innovator drugs. The Group also further increased its R&D investment. During the Reporting Period, the R&D investment in the pharmaceutical manufacturing and R&D segment of the Group amounted to RMB1,205 million, representing an increase of RMB141 million or 13.23% as compared to the corresponding period of 2018, and accounting for 11.1% of the revenue of the pharmaceutical manufacturing and R&D segment. In particular, the R&D expenses amounted to RMB724 million, representing an increase of RMB128 million or 21.45% as compared to the corresponding period of 2018, accounting for 6.6% of the revenue of the pharmaceutical manufacturing and R&D segment. As at the end of the Reporting Period, the Group had 233 projects on pipeline innovative drugs, generic drugs, biosimilars and consistency evaluation of generic drugs (including 16 projects on small molecular innovative drugs, 12 projects on biopharmaceutical innovative drugs, 20 projects on biosimilars, 129 projects on generic drugs of international standards, 54 consistency evaluation projects and 2 projects on traditional Chinese medicine drugs). In addition, 23 projects were introduced, including 8 imported innovative drugs and 15 imported generic drugs. During the Reporting Period, a total of 10 patents had been applied for in the pharmaceutical manufacturing and R&D segment of the Group, including 4 U.S. patent applications and 3 PCT applications, with 22 licensed patents obtained, all of which being invention patents.

In the first half of 2019, the Group focused on increasing its R&D investment in monoclonal antibody biopharmaceutical innovative drugs and biosimilars and small molecular innovative drugs, and systematically carried forward consistency evaluation of generic drugs. As at the end of the Reporting Period, 9 small molecular innovative drug products (including 1 improved new drug) and 9 indications had obtained approval for clinical trial in Mainland China; 1 monoclonal

antibody product had obtained approval for market launch in Mainland China; 2 monoclonal antibody products were accepted for new drug application and included in the priority review procedure in Mainland China; and 13 monoclonal antibody products and 3 combination therapy had launched more than 20 clinical trials worldwide. During the Reporting Period, a total of 4 generic drugs from Gland Pharma received approval for sale from the U.S. Food and Drug Administration (the "**U.S. FDA**"). During the Reporting Period, 3 products of the Group passed the consistency evaluation of generic drugs. As at the end of the Reporting Period, the Group had 12 products on accumulated count that passed the consistency evaluation of generic drugs. It is expected that these pipeline products as well as the generic drugs approved in consistency evaluation will provide a solid foundation to maintain sustainable development of the Group in the future.

As at the end of the Reporting Period, the Group's R&D progress on monoclonal antibody is set out below:

			R&D stages in China as at the end of the Reporting Period		**R&D stages in other countries as at the end of the Reporting Period**	
No.	**Type**	**Name of R&D project on drugs (products)**	**R&D stage**	**Stage of clinical trial**	**R&D stage**	**Stage of clinical trial**
1		Rituximab Injection	Approved for sales *(Note 1)*	—	—	—
2		Trastuzumab for Injection	Under application for sales	Phase III	Under application for sales *(Note 2)*	Phase III
3	Biosimilars	Adalimumab Solution Injection	Under application for sales	Phase III	—	—
4		Recombinant Anti-VEGF Humanized Monoclonal Antibody Injection	Clinical trial	Phase III	—	—
5		Recombinant Anti-EGFR Human/ Murine Chimeric Monoclonal Antibody Injection	Approved for clinical trial	—	—	—
6		Recombinant Anti-VEGFR2 Domain II-III Fully Human Monoclonal Antibody Injection	Clinical trial	Phase I	—	—
7		Recombinant Human/Murine Chimeric Anti-CD20 Monoclonal Antibody Injection	Clinical trial	Phase III *(Note 3)*	—	—
8		Recombinant Anti-VEGF Humanized Monoclonal Antibody Injection	Approved for clinical trial	—	—	—
9		Recombinant Anti-VEGFR2 Fully Human Monoclonal Antibody Injection *(Note 4)*	Clinical trial	Phase I	Approved for clinical trial	—
10	Biopharmaceutical innovative drugs	Recombinant Anti-EGFR Humanized Monoclonal Antibody Injection *(Note 5)*	Clinical trial	Phase Ib/II and Ia	Approved for clinical trial	—
11		Recombinant Humanized Anti-PD-1 Monoclonal Antibody Injection	Clinical trial *(Note 6)*	Phase I	—	—
12		Recombinant Fully Human Anti-PD-L1 Monoclonal Antibody Injection	Approved for clinical trial	—	Clinical trial *(Note 7)*	Phase I
13		HLX22 Monoclonal Antibody Injection	Approved for clinical trial	—	—	—

No.	Type	Name of R&D project on drugs (products)	R&D stages in China as at the end of the Reporting Period		R&D stages in other countries as at the end of the Reporting Period	
			R&D stage	Stage of clinical trial	R&D stage	Stage of clinical trial
14		Combo of Recombinant Humanize Anti-PD-1 Monoclonal Antibody Injection and Recombinant Anti-VEGF Humanized Monoclonal Antibody Injection	Clinical trial	Phase I	—	—
15	Combination treatment	Combo of Recombinant Humanize Anti-PD-1 Monoclonal Antibody Injection and Recombinant Anti-EGFR Humanized Monoclonal Antibody Injection	Application for clinical trial accepted	—	—	—
16		Combo of Recombinant Humanize Anti-PD-1 Monoclonal Antibody Injection or Placebo with Chemotherapy (Cisplatin + 5-FU) as a First-Line Treatment for Locally Advanced or Metastatic Esophageal Squamous Cell Carcinoma	Clinical trial	Phase III	—	—

Note 1: The application to sell and register rituximab injection (Han Li Kang) was approved by the National Medical Products Administration on 22 February 2019.

Note 2: Such drugs for breast cancer indications commenced phase III clinical trials in Ukraine, Poland and the Philippines as at the end of the Reporting Period; in June 2018, Accord Healthcare Limited was authorized by Shanghai Henlius with an exclusive commercialization license for, including but not limited to, the sales, offer to sell, import, distribution and other commercialization activities of recombinant anti-HER2 humanized monoclonal antibody for injection, a product developed by Shanghai Henlius, in the region (i.e. 53 countries including the U.K., France and other countries in the European region, and 17 countries including Saudi Arabia, United Arab Emirates and other countries and some CIS countries in the Middle East and North Africa region). During the Reporting Period, the application for the sales of trastuzumab injection was submitted by Accord Healthcare Limited and accepted by the European Medicines Agency (EMA).

Note 3: Such drugs for rheumatoid arthritis indications were under phase III clinical trials in Mainland China.

Note 4: Phase I clinical trials were carried out for such drugs in the Taiwan region of China; furthermore, such drugs had been approved for clinical trials by the National Medical Products Administration and the U.S. FDA as at the end of the Reporting Period.

Note 5: Phase Ib/II and Ia clinical trials were carried out for such drugs in Mainland China and Taiwan region; furthermore, such drugs had been approved for clinical trials by the U.S. FDA as at the end of the Reporting Period.

Note 6: Phase I clinical trials were carried out for solid tumor indications in the Taiwan region of China.

Note 7: Phase I clinical trials were carried out in Australia.

As at the end of the Reporting Period, specific R&D progress of the Group on small molecular chemistry innovative drugs is set out below:

		R&D stages as at the end of the Reporting Period	
No.	**Name of R&D project on drugs (products)**	**R&D stage**	**Stage of clinical trial**
1	Foritinib Succinate Capsules*(Note 1)*	Clinical trial	Phase I
2	FCN-411*(Note 2)*	Clinical trial	Phase I
3	PA-824	Clinical trial	Phase I
4	FN-1501*(Note 3)*	Clinical trial	Phase I
5	FCN-437*(Note 4)*	Clinical trial	Phase I
6	Wanpagliflozin Tablets	Clinical trial	Phase I
7	FCN-159	Clinical trial	Phase I
8	Orin1001*(Note 5)*	Clinical trial	Phase I
9	Docetaxel Polymeric Micelle for Injection*(Note 6)*	Clinical trial	Phase I

Note 1: Representing R&D project FC-110.

Note 2: Representing R&D project FC-102.

Note 3: As at the end of the Reporting Period, Phase I clinical trials were carried out for such drugs in China and the U.S. In addition, filings for the clinical trials of such drugs have been completed by the Therapeutic Goods Administration of Australia.

Note 4: As at the end of the Reporting Period, Phase I clinical trials were carried out in China and the U.S..

Note 5: As at the end of the Reporting Period, such drugs had been approved for clinical trials by the U.S. FDA and recognized by the Fast Track Development Program.

Note 6: This is an improved new product.

The Group has placed great emphasis on quality and risk management throughout the life cycle of its products, and implemented stringent quality and safety control mechanisms and pharmacovigilance mechanism at each stage of the production chain from R&D to pulling off shelf of products. The Group's pharmaceutical manufacturing and R&D segment has fully implemented the concept of quality and risk management and focused on quality control mechanisms such as regular quality review, change management, deviation management, out-of-specification (OOS) investigation, implementation of corrective and preventive actions (CAPA) and audit on suppliers. The Group's pharmaceutical manufacturing segment continued to push forward the consistent improvement of production and quality system. As at the end of the Reporting Period, all subsidiaries of the Group that engaged in pharmaceutical manufacturing business achieved the new GMP in China. Meanwhile, the Group encouraged internationalization of the companies in the pharmaceutical manufacturing segment, and pushed them forward to put

international Current Good Manufacturing Practice (cGMP) certifications such as the U.S., European Union and World Health Organization (WHO) into practice. As at the end of the Reporting Period, several dozens of the Group's APIs received cGMP certifications from national health authorities including the U.S., EU and Japan; during the Reporting Period, 4 pharmaceutical manufacturing sites and various aseptic production lines of Gland Pharma passed audit/certifications in accordance with the GMP of drugs in the U.S., EU, Japan, Australia, Brazil and other countries. 1 production line for oral solid dosage formulation and 3 production lines for injections of Guilin South Pharma Co., Ltd.* (桂林南藥股份有限公司) ("**Guilin Pharma**") obtained certification from the WHO-PQ; 1 production line for oral solid dosage formulation of Chongqing Yao Pharmaceutical Company Limited* (重慶藥友製藥有限責任公司) ("**Yao Pharma**") was certified by Canada FDA and the U.S. FDA; 1 freeze-dried aseptic production line of Jiangsu Wanbang Biopharmaceutical Company Limited* (江蘇萬邦生化醫藥集團有限責任公司) ("**Wanbang Pharma**") received cGMP certifications from the EU and 1 production line for oral formulation of Wanbang Pharma received cGMP certifications from the U.S. FDA.

While intensively cultivating the business, the Group also actively participated in the pilot reform of the pharmaceutical industry, promoting continuous improvement in the Group's ability to exert quality management throughout the life cycle of pharmaceuticals, and push forward the expansion of the pharmaceutical manufacturing business.

Meanwhile, the Group continued to focus on innovation and international development, and strive to develop strategic products. Whilst actively seeking opportunities for mergers and acquisitions as well as consolidation in the industry, the Group also consolidated and integrated its current product lines and various resources, and proactively expanded its international business in order to expand its pharmaceutical manufacturing and R&D segment while achieving continuous and rapid growth of its revenue and profit.

Healthcare Services

Through continuous promotion of specialties layout at medical institutions, as well as internal integration and external expansion, the Group established regional medical centers and a supply chain spanning major health industries to enhance operating capabilities and profitability. As at the end of the Reporting Period, the Group has completed the preliminary strategic deployment of its healthcare services with high-end healthcare institutions in the more developed coastal cities and specialty and general hospitals in second-tier and third-tier cities in the PRC, and has completed the industrial layout of key discipline planning, specialty hospitals and third-party diagnosis on the provincial, municipal and regional level.

As at the end of the Reporting Period, the medical institutions controlled by the Group mainly included Foshan Chancheng Central Hospital Company Limited* (佛山市禪城區中心醫院有限公司) ("**Chancheng Hospital**"), Shenzhen Hengsheng Hospital* (深圳恒生醫院) ("**Hengsheng Hospital**"), Suqian Zhongwu Hospital Co., Ltd.* (宿遷市鐘吾醫院有限公司) ("**Zhongwu Hospital**"), Wenzhou Geriatric Hospital Limited Company* (溫州老年病醫院有限公司) ("**Wenzhou Geriatric Hospital**"), Yueyang Guangji Hospital Company Limited* (岳陽廣濟醫院

有限公司) ("**Guangji Hospital**"), Anhui Jimin Cancer Hospital* (安徽濟民腫瘤醫院) ("**Jimin Hospital**"), Wuhan Jihe Hospital Co., Ltd.* (武漢濟和醫院有限公司) ("**Wuhan Jihe Hospital**"), Zhuhai Chancheng Hospital Limited* (珠海禪誠醫院有限公司) ("**Zhuhai Chancheng**"), Huai'an Xinghuai International Hospital Co., Ltd.* (淮安興淮國際醫院有限公司) ("**Huai'an Xinghuai Hospital**") and Suqian Rehabilitation Hospital* (宿遷市康復醫院). During the Reporting Period, the healthcare services entities controlled by the Group realized total revenue of RMB1,459 million, representing an increase of 21.68% as compared to the corresponding period of 2018. During the Reporting Period, segment results were RMB169 million, representing an increase of 8.40% as compared to the corresponding period of 2018, and segment profit was RMB101 million, representing a decrease of 24.47% as compared to the corresponding period of 2018. The period-on-period decrease in net profit was mainly due to the initial losses in certain hospitals that were newly established or recently commenced during the expansion period, the increase of operating costs, the gains from assets disposal in the corresponding period of last year and other factors. As at the end of the Reporting Period, the total number of authorized beds available for the public in Chancheng Hospital, Hengsheng Hospital, Zhongwu Hospital, Wenzhou Geriatrics Hospital, Guangji Hospital, Jimin Hospital, Wuhan Jihe Hospital, Zhuhai Chancheng, Huai'an Xinghuai Hospital and Suqian Rehabilitation Hospital controlled by the Group was 4,328 in aggregate.

During the Reporting Period, among the medical institutions controlled by the Group, Suqian Rehabilitation Hospital was approved by the Suqian Health Commission as a class II rehabilitation hospital. Through the efforts in establishing hospital class, the groundwork for the business layout had been laid, which involved 4 Class II hospitals led and supported by 3 Class III hospitals in terms of business and discipline development. At the same time, Chancheng Hospital took a further step in giving full play to its medical advantage and exemplary position in Southern China, serving as a demonstrative purpose to hospitals from near to far. The health hive project, which was based on the medical resources of Chancheng Hospital, the acquired Hengsheng Hospital and Zhuhai Chancheng all played an important role in the strategic layout of healthcare services in Southern China as well as the business expansion in developed coastal cities and regions. Meanwhile, the Group continued to actively explore and participate in the new business model of providing healthcare services through the Internet to achieve a seamless integration of online and offline services and formed a closed-loop so as to explore the innovation of medical services operation and model. In addition, the newly established Shanghai Zhuorui Integrated Outpatient Limited Company* (上海卓瑞綜合門診部有限公司) was being prepared to become a high-end clinic and health-check center, which was an integration of resources across major health industries. Moreover, the Group also cooperated with local governments, universities, hospitals and other parties to further reserve and consolidate various resources in achieving complementary advantages and mutual development.

In addition, during the Reporting Period, the Group continued to actively support and facilitate the development and deployment of hospital and clinic network under United Family Hospital, a leading high-end healthcare services brand.

Medical Devices and Medical Diagnosis

In the first half of 2019, the Group continued to push the development of the medical devices and medical diagnosis segment forward.

During the Reporting Period, the Group realized revenue of RMB1,793 million from the medical devices and medical diagnosis segment, representing an increase of 6.60% as compared to the corresponding period of 2018. During the Reporting Period, segment results amounted to RMB292 million, which increased by 4.03% as compared to the corresponding period of 2018; segment profit amounted to RMB230 million, which decreased by 8.78% as compared to the corresponding period of 2018. The period-on-period decrease in net profits was mainly attributable to that: (1) Intuitive Fosun, an associate, was still in the preliminary investment phase and recorded intensified operating losses due to business expansions; and that the installation volume of Da Vinci surgical robotic system fell below expectations for the first half of 2019, albeit the number of surgeries performed by the system maintained rapid growth, increasing period-on-period by 16% in mainland China and Hong Kong; (2) new products of Breas were launched during the first half of 2019, though delayed compared with expectations.

During the Reporting Period, Sisram Medical Ltd ("**Sisram Medical**") continued to accelerate the development of the global market and especially key emerging markets while strengthening its new product portfolio, in particular, by increasing R&D of medical treatment devices and extending its production line into the clinical treatment area. In the first half of 2019, 4 products of Sisram Medical passed EU CE certification, and 2 new products were launched, including Soprano Titanium and Colibri. Soprano Titanium was one of the most advanced laser hair removal platforms on the market. Designed for non-surgical orbital surgery and wrinkle removal, Colibri was also well received by the market. In the first half of 2019, the revenue of Sisram Medical amounted to US$85 million and net profit amounted to US$14 million, representing an increase of 9.31% and 23.20% as compared to the corresponding period of 2018 (based on the financial statements of Sisram Medical in its reporting currency), respectively.

In the first half of 2019, the revenue of HPV diagnostic reagent and T-SPOT test kits increased rapidly as compared to the first half of 2018. The self-developed fully automated chemiluminescence instrument had been launched into the market. Its relevant supporting reagents were gradually improved, some of which had entered the registration and review phase. The diagnosis product, glycotest (liver cancer diagnosis), and imprinted gene product (thyroid cancer diagnosis) had begun transformation into products.

Pharmaceutical Distribution and Retail

During the Reporting Period, Sinopharm Group Co. Ltd.* (國藥控股股份有限公司) ("**Sinopharm**"), an investee of the Group, put continuous efforts in accelerating industry consolidation and expanding the distribution and retail network of pharmaceutical products. It also actively seized the opportunities of rapid development of medical device industry and vigorously developed medical device distribution business. In the first half of 2019, Sinopharm realized a

revenue of RMB201,665 million, net profit of RMB4,968 million and net profit attributable to shareholders of the parent of RMB2,975 million, which represented an increase of 23.36%, 13.08% and 6.33% as compared to the corresponding period of last year (after restatement for the corresponding period of last year), respectively.

In respect of the pharmaceutical distribution sector, Sinopharm, with an integrated pharmaceutical supply chain and advanced supply chain management model, continued to step up its efforts in facilitating integrated operations, planned for logistics network resources, promoted the set-up and optimization of logistics system and enhanced efficiency of internal supply chain. During the Reporting Period, Sinopharm's revenue from the pharmaceutical distribution business increased by 22.22% period-on-period to RMB164,701 million. In respect of retail pharmacy, the retail network of Sinopharm covered 30 provinces, municipalities and autonomous regions as at the end of the Reporting Period, with the total number of retail pharmacies reaching 5,602, the scale of which continued to lead in the industry. During the Reporting Period, Sinopharm's sales revenue from retail pharmacy maintained a relatively rapid growth, reaching RMB8,842 million or an increase of 24.51% as compared to the corresponding period of last year. In respect of medical device distribution, Sinopharm actively seized the opportunities of rapid development of medical device industry and vigorously developed medical device distribution business. In the first half of 2019, the sales of Sinopharm's medical device business achieved rapid growth. Sinopharm's revenue from the medical device business increased by 35.96% as compared to the corresponding period of last year to RMB29,025 million.

Internal Integration and Operation Enhancement

During the Reporting Period, the Group continued to increase its investment in internal integration, further strengthened the internal communication of the Group and proactively improved operational efficiency. During the Reporting Period, the Group strengthened the linkage within the segments as well as between the segments by way of internal consolidation of shareholding and cooperation for products and services between segments in order to further consolidate resources and achieve integration and circulation of the Group's internal resources to facilitate business development. In respect of the pharmaceutical manufacturing and R&D segment, the Group forged production and technological cooperation between domestic and overseas enterprises and personnel exchanges, which further accelerated its internationalization process, enhanced the market shares of its products and increased its R&D capabilities together with its internationalized drug registration and declaration capabilities, pushing forward the industrial upgrade and R&D capabilities of the Group's pharmaceutical manufacturing business. In respect of pharmaceutical distribution and retail, by virtue of the cooperation and linkage with Sinopharm, the Group also fully utilized Sinopharm's advantages in distribution network and logistics to facilitate the expansion of sales channels of the Group's pharmaceutical products.

In respect of digital technology innovation, adhering to the double-engine business model comprising predictable works (mainly involving traditional information services) and exploratory works (mainly involving innovative services), the Group took forward its digital transformation strategy. By actively building a smart data platform matching the business needs of the Group as a

core strategy, further integration and interconnectivity of informatization was accelerated, so as to realize the value of data. During the Reporting Period, various information systems were upgraded, including the pharmacovigilance system for the pharmaceutical manufacturing and R&D segment, the clinical trial management system (CTMS) and the R&D management system (RDMS). The Group also continued its efforts in promoting standardization for the hospital information system (HIS) of medical institutions under the healthcare services segment, and the hospital resources planning (HRP) project.

In collective procurement and strategic procurement, the Group further promoted collective procurement projects in cross-business segments and sectors during the Reporting Period. As at the end of the Reporting Period, 9 collective procurement and strategic bidding projects for production materials, production equipment, etc. had been completed. Through the advancement of the collective procurement project and strategic agreement, the Group exerts a platform effect, realizing cost reduction and efficiency. During the Reporting Period, the Group revised its procurement management guidelines to strengthen cross-function collaboration between departments, fueling up the enterprise's purchasing power. The Group produced quarterly computation and analysis on reduction of purchasing cost as well as the implementation of strategies on the Group's business segments to provide further basis for the management to optimize procurement strategy. During the Reporting Period, the Group continued to promote the digitalized procurement platform, which demonstrated a closed-loop characteristic, integrity, transparency, comparability and traceability in the procurement business, realizing the goal of procurement cost reduction by increasing procurement efficiency.

In respect of anti-corruption compliance, the Company formulated systems including the Anti-Corruption Regulations of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (《上海復星醫藥(集團)股份有限公司反腐敗條例》), the Administrative Regulations on Reporting of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (《上海復星醫藥(集團)股份有限公司舉報管理規定》) and the Regulations on the Protection and Reward of Informers and Witnesses of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (《上海復星醫藥(集團)股份有限公司舉報人、證人保護與獎勵規定》). Being determined to the combination of preventing of corruption and corporate governance, the Company constantly enhanced its anti-corruption compliance control system, which was established to prevent, monitor and remedy such situations. The Group also focused on investigating reported clues and monitoring areas of higher corruption risk to ensure lawful operations of the Group.

Environment, Health and Safety

The Group fulfilled its social responsibility by continuously developing its environmental, health and safety (EHS) management and tirelessly enhancing the operation and management thereof. By continuously optimizing and encouraging an EHS culture and highlighting "excellent execution skills and strong motivation", a pyramidal culture pattern was formed concerning EHS, paying attention to the different tasks of EHS and facilitating them top-down. Driven by the leadership

and commitment of the management and through establishing and reviewing systems, the Group facilitated an excellent SOP-based EHS management with a focus on core responsibilities and employee participation.

During the Reporting Period, the Group focused on assisting the core enterprises to establish and enhance the EHS management system for the pharmaceutical manufacturing and R&D segment, so as to monitor EHS implementation by adopting a cross-checking model and ensure effective risk control. With reference to the requirements from a safety design diagnosis on new and ongoing projects, the Group actively promoted the intrinsic safety of API enterprises by launching a process safety management. The Group also took the process safety investigation as an opportunity to map out the circumstance, and engaged in skills exchange to improve the standard of process safety management. The Group continued to accelerate and promote the enhancement and risk management of the EHS management system standard (HOPES) for hospitals in the healthcare services segment, and established HOPES leading hospitals to assist and help core enterprises in the healthcare services segment rise to EHS management standard.

While improving EHS management and risk control, the Group also worked on building up the competency of EHS teams. In addition to hiring caliber EHS talents, the Group provided intensive training at micro classes, annual camps of operation and other occasions to enhance the knowledge and competency of EHS professionals at each controlled subsidiary/entity.

Besides performing its social responsibilities, the Group has promoted social responsibility awareness for suppliers through the supply chain system, and considers level of social responsibility performance as a criteria for the assessment of quality suppliers. Through auditing the green supply chain, the Group promoted social responsibility performance of companies on the supply chain, and regarded it as a core component of supply chain management. During the Reporting Period, the Group made improvements on the established green supply auditing standard, and the annual green supply chain auditing is underway.

Financing

During the Reporting Period, the Group completed the issuance of super short-term commercial papers amounting to RMB1 billion and overseas syndicated financing amounting to US$400 million. At the same time, the Group continued to strengthen its cooperation with PRC-funded banks in financing business and intensified businesses with foreign banks, and further increased the credit facilities on the basis of maintaining good cooperative relationship between Chinese and foreign-funded financial institutions. During the Reporting Period, new credit facilities from PRC and foreign-funded banks amounted to approximately RMB3.5 billion, providing favorable conditions for the Group to strengthen the development of its principal business and implement internationalization strategies. As at the end of the Reporting Period, the Group received over RMB40 billion in credit facilities from major cooperative banks.

A. *Analysis on Principal Operations*

(1) *Analysis of Changes in Relevant Items of Income Statement and Statement of Cash Flows*

Unit: million Currency: RMB

Items	Amount for the period	Amount for the corresponding period of last year	Period-on-period change *(%)*	Reasons
Revenue	14,085	11,767	19.70	
Cost of sales	5,599	4,946	13.21	
Selling and distribution expenses	4,998	3,804	31.39	*Note 1*
Administrative expenses	1,148	1,038	10.60	
Research and development expense	849	709	19.80	*Note 2*
Finance costs	547	441	24.04	*Note 3*
Net cash flow generated from operating activities	1,450	1,279	13.40	
Net cash flow generated from investment activities	–1,079	–1,831	41.10	*Note 4*
Net cash flow generated from financing activities	–496	1,829	–127.11	*Note 5*
R&D expenditure	1,351	1,188	13.69	

Note 1: Mainly due to (i) the intensified efforts into new products and new markets of the Group: the preparation of sales and market forces before the launch and promotion after the launch of rituximab injection (Han Li Kang) and other products proposed to be launched for sales, the set up of sales force for Fosun Pharma in the U.S., and the expansion of direct-sales network for Sisram Medical in North America, and other factors, and (ii) the change of sales model and in sales structure for certain products.

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

Note 3: Mainly due to an average increase in interest-bearing debts and the increase in discounted expenses of right-of-use liabilities due to the adoption of the new leasing standards during the Reporting Period.

Note 4: Mainly due to the amount received for the transfer of 3.79% equity interest in Simcere Holding Limited during the Reporting Period.

Note 5: Mainly due to the receipt of minority investment in Shanghai Henlius, a subsidiary during the corresponding period of last year, and the repayment of loans during the Reporting Period.

(2) *R&D investment*

① R&D investment

Unit: million Currency: RMB

R&D investment expensed for the period	849
R&D investment capitalized for the period	502
Total R&D investment	1,351
Total R&D investment as a percentage of revenue (%)	9.5
R&D investment in the pharmaceutical manufacturing segment as a percentage of the revenue from the pharmaceutical manufacturing segment (%)	11.1
Percentage of R&D investment capitalized (%)	37.13

② Descriptions

During the Reporting Period, the R&D investment in the pharmaceutical manufacturing and R&D segment amounted to RMB1,205 million, representing an increase of RMB141 million or 13.23% as compared to the corresponding period of 2018, accounting for 11.1% of the revenue from the pharmaceutical manufacturing and R&D segment, mainly due to the increase in the R&D investment in biosimilar, innovative biopharmaceutical drugs and small molecular innovative drugs, concentrated investment in consistency evaluation and increase in R&D investment in innovation incubation platform during the Reporting Period.

(3) *Progress of operation plans*

During the Reporting Period, the Group adhered to its strategies of "organic growth, external expansion and integrated development", focused its competitive strengths and resources on its major business of pharmaceutical manufacturing and R&D, insisted on product innovation and further enhanced the competitiveness of its products. Meanwhile, the Group continued to increase its investment in the healthcare services segment and substantially completed the strategic deployment of its healthcare services segment to combine high-end healthcare institutions in the more developed coastal cities and specialty and general hospitals in second-tier and third-tier cities in the PRC.

B. *Analysis of Segment and Regional Operations*

(1) *Principal Operations by Segments and Products*

Unit: million Currency: RMB

Principal Operations by Segments

By segments	Revenue	Cost of sales	Gross profit margin (%)	Period-on-period change in revenue (%)	Period-on-period change in cost of sales (%)	Period-on-period change in gross margin
Pharmaceutical manufacturing and R&D	10,814	3,617	66.55	21.89	14.12	increase of 2.27 percentage points
Healthcare services	1,459	1,080	25.98	21.68	23.53	decrease of 1.11 percentage points
Medical devices and medical diagnosis	1,793	877	51.08	6.60	2.58	increase of 1.92 percentage points

Principal Operations by Products

By products	Revenue	Cost of sales	Gross profit margin (%)	Period-on-period change in revenue (%)	Period-on-period change in cost of sales (%)	Period-on-period change in gross margin
Major products of cardiovascular system therapeutic area(*Note 1*)	1,103	396	64.11	21.14	46.50	decrease of 6.22 percentage points
Major products of central nervous system therapeutic area(*Note 2*)	1,224	58	95.27	78.80	27.93	increase of 1.87 percentage points
Major products of blood system therapeutic area(*Note 3*)	419	20	95.11	35.80	3.04	increase of 1.56 percentage points
Major products of metabolism and alimentary system therapeutic area(*Note 4*)	1,807	291	83.88	17.22	5.09	increase of 1.86 percentage points
Major products of anti-infection therapeutic area(*Note 5*)	2,331	642	72.45	16.45	18.44	decrease of 0.46 percentage point
Major products of anti-tumor therapeutic area(*Note 6*)	264	69	73.72	2.47	–12.97	increase of 4.66 percentage points

Principal Operations by Products

By products	Revenue	Cost of sales	Gross profit margin *(%)*	Period-on-period change in revenue *(%)*	Period-on-period change in cost of sales *(%)*	Period-on-period change in gross margin
Major products of APIs and intermediate products	675	480	28.90	1.40	–0.40	increase of 1.28 percentage points

Note 1: The revenue of major products of the cardiovascular system therapeutic area recorded a period-on-period increase of 21.14%, which was mainly due to the net impact of the increased sales revenue from enoxaparin injection and other heparin series preparations, pitavastatin calcium tablets (Bang Zhi) and meglumine adenosine cyclophosphate for injection (Xin Xian An), as well as the decreased sales volume of alprostadil dried emulsion for injection (You Di Er). The decrease in gross profit margin, as compared to the corresponding period of last year, was mainly due to the product mix change in such therapeutic area.

Note 2: The revenue of major products of the central nervous system therapeutic area recorded a period-on-period increase of 78.80%, mainly due to the sales volume growth of escitalopram tablets (Qi Cheng) and quetiapine fumarate tablets (Qi Wei), as well as the sales volume recovery of deproteinized calf blood injection (Ao De Jin) as compared to the corresponding period.

Note 3: The revenue of major products of the blood system therapeutic area recorded a period-on-period increase of 35.80%, mainly due to the sales volume growth of hemocoagulase for injection (Bang Ting).

Note 4: The revenue of major products of the metabolism and the alimentary system therapeutic area recorded a period-on-period increase of 17.22%, mainly due to the sales growth of febuxostat tablets (You Li Tong), alfacalcidol tablets (Li Qing) and thioctic acid injection (Fan Ke Jia).

Note 5: The revenue of major products of the anti-infection therapeutic area recorded a period-on-period increase of 16.45%, mainly due to the sales growth of products including daptomycin, cefmetazole sodium for injection (Cefmetazon), piperacillin sodium, sulbactam sodium (Qiang Shu Xi Lin) and cefminox sodium for injection (Mei Shi Ling).

Note 6: The gross profit of core products of the anti-tumor therapeutic area recorded an increase as compared to the corresponding period of last year, mainly due to the product mix change and the increased proportion of revenue from high-gross-margin products.

(2) *Principal Business by Geographical Location*

Unit: million Currency: RMB

Region	Revenue	Period-on-period increase/decrease in revenue as compared to the previous year (%)
Mainland China	10,789	23.49
Other countries or regions	3,296	8.76

C. *Analysis of Major Subsidiaries and Investee Companies*

(1) *Operation and Results of Major Subsidiaries of the Group*

① Operation and Results of Major Subsidiaries

Unit: million Currency: RMB

Name of subsidiary	Nature of business	Major products or services	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Yao Pharma	Pharmaceutical manufacturing	Atomolan, You Di Er, Sha Duo Li Ka, Xi Chang, Cefmetazon, etc.	197	5,072	2,900	3,098	483	406
Wanbang Pharma	Pharmaceutical manufacturing	You Li Tong, Yi Bao, Xihuang capsules, Wan Su Ping, enoxaparin sodium series, etc.	440	4,125	2,420	2,474	379	320
Aohong Pharma	Pharmaceutical manufacturing	Ao De Jin, Bang Ting	510	2,933	2,192	1,238	186	163
Gland Pharma	Pharmaceutical manufacturing	Enoxaparin injection, heparin sodium, vancomycin, rocuronium bromide, etc.	N/A	6,593	5,088	1,194	321	211

Note 1: The figures of revenue, operating profit and net profit of Yao Pharma included the revenue, operating profit and net profit of Hunan Dongting Pharmaceutical Co., Ltd.* (湖南洞庭藥業股份有限公司) and the impact of merger with Chongqing Pharmacentical Researach Institute Co., Ltd.* (重慶醫藥工業研究院有限責任公司) under common control during the Reporting Period;

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

② Status of Major Subsidiaries of Other Business Segments

Unit: million Currency: RMB

Name of subsidiary	Nature of business	Major products or services	Registered capital	Total assets	Net assets	Revenue	Net profit
Chancheng Hospital *(Note 1)*	Healthcare services	Healthcare services	50	2,140	1,532	775	94
Sisram Medical *(Note 2)*	Medical devices	Medical cosmetics devices, medical devices	N/A	2,659	2,199	580	94

Note 1: The data of Chancheng Hospital include appreciation of asset evaluation and amortization of appreciation of asset evaluation.

Note 2: The data of Sisram Medical is prepared in accordance with Hong Kong Financial Reporting Standards.

(2) *Operation and Results of Investee Companies whose Net Profit and Investment Income Contributing More Than 10% of the Group's Net Profit*

Unit: million Currency: RMB

Name of investee	Nature of business	Principal activities	Registered capital	Total assets	Net assets	Revenue	Operating profit
Sinopharm Industrial Investment Co., Ltd.* (國藥產業投資有限公司)	Pharmaceutical investment	Pharmaceutical investment	100	274,446	72,895	201,665	4,975

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

① Acquisition of Subsidiaries during the Reporting Period

On 15 November 2018, Alma Lasers Ltd., a subsidiary of the Company, entered into a Share Purchase Agreement with Mr. Ofer Gerassi, Mrs. Sabina Biran and Mr. Jacob Sayif Aaron, pursuant to which Alma Lasers Ltd. acquired 60% of equity interest in Nova Medical Israel Ltd.. As at the end of the Reporting Period, Alma Lasers Ltd. held 60% of equity interest in Nova Medical Israel Ltd..

The acquisition of the subsidiary during the Reporting Period have the following effect on the Group's production and results:

Unit: million Currency: RMB

Name of subsidiary	Acquired through	Net assets (as at the end of Reporting Period)	Net profit (from date of acquisition/merger up to the end of Reporting Period)	Date of acquisition/merger
Nova Medical Israel Ltd.	Equity transfer	47	11	15 January 2019

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

② Disposal of Subsidiaries during the Reporting Period

On 11 January 2019, the company cancellation of a subsidiary, namely Nanjing Junxing Medical Service Co., Ltd.* (南京君星醫療服務有限公司) ("**Nanjing Junxing**"), was completed.

On 17 January 2019, the company cancellation of a subsidiary, namely Shandong Yixing Nursing Service Co., Ltd.* (山東頤星護理服務有限公司) ("**Shandong Yixing**"), was completed.

On 25 January 2019, the company cancellation of a subsidiary, namely Shanghai Qiguang Investment Management Co., Ltd.* (上海齊廣投資管理有限公司) ("**Qiguang Investment**"), was completed.

On 28 April 2019, a subsidiary, namely Aohong Pharma, entered into an equity transfer agreement with Zeng Jikai, pursuant to which Aohong Pharma transferred 100% equity in Hainan Peng Kang Pharmaceutical Co., Ltd.* (海南鵬康藥業有限公司) ("**Hainan Peng Kang**") to Zeng Jikai. As at the end of the Reporting Period, Aohong Pharma no longer held any equity in Hainan Peng Kang.

On 15 May 2019, a subsidiary, namely Qianda (Tianjin) International Trade Co., Ltd.* (謙達(天津)國際貿易有限公司) ("**Tianjin Qianda**"), entered into an equity transfer agreement with Zhang Wei, Dong Kuikui and Zhang Hongqi, pursuant to which Tianjin Qianda transferred 100% equity in Beijing Qianda Denuo Dental Clinic Co., Ltd.* (北京謙達德喏口腔門診部有限公司) ("**Denuo Dental**"). As at the end of the Reporting Period, Tianjin Qianda no longer held any equity in Denuo Dental.

On 14 June 2019, the company cancellation of a subsidiary, namely Yulin Guanghai Medical Investment Management Co., Ltd.* (玉林廣海醫療投資管理有限公司) ("**Yulin Guanghai**"), was completed.

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

Unit: million Currency: RMB

Name of subsidiary	Disposed through	Net assets as at date of disposal	Net profit from beginning of Reporting Period to date of disposal	Date of disposal
Nanjing Junxing	Company cancellation	1	—	11 January 2019
Shandong Yixing	Company cancellation	—	—	17 January 2019
Qiguang Investment	Company cancellation	1	—	25 January 2019
Hainan Peng Kang	Equity transfer	–1	—	22 May 2019
Denuo Dental	Equity transfer	2	–1	22 May 2019
Yulin Guanghai	Company cancellation	—	—	14 June 2019

D. ***Core Competence Analysis***

According to its strategy, the Group mainly develops its pharmaceutical manufacturing and R&D as well as healthcare services segments. It also maintains its long-term investment in Sinopharm. The pharmaceutical manufacturing and R&D as well as medical devices and medical diagnosis segment of the Group are in a leading position in the industry. The healthcare services business of the Group also took the lead in terms of business development and integration capability in the industry. The core competitiveness of the Group can be reflected in its multi-layered and strong R&D capability, highly standardized production management capability, high-quality service capability, professional marketing capability and international business development and integration capability, as well as the capability of constructing a global manufacturing and supply chain with cost advantages.

In addition, the Group's capabilities in investment, merger and acquisition activities and consolidation have been widely recognized in the pharmaceutical industry. The dual listing status creates favorable conditions for the Group to enhance its competitiveness.

In order to maintain its continuous growth, the Group will continue to follow the direction of China's Thirteenth Five-year Plan in relation to the pharmaceutical industry, take advantage of its competitive strengths and adhere to the strategies of organic growth, external expansion and integrated development.

E. ***Employees and Remuneration Policies***

As at the end of the Reporting Period, the Group had a total of 29,656 employees. The employee's remuneration policies of the Group are formulated on the basis of the results, work experience and salary level prevailing in the market.

2. Business Outlook for the Second Half of 2019

In the second half of 2019, the Group will continue to be committed to its mission of improving human health, adhere to its corporate philosophy of "Innovation for Good Health", and it will endeavor to capture the opportunities presented by the broad pharmaceutical market in China as well as the rapid growth of generic drugs in mainstream markets such as Europe and the U.S. and emerging markets in the world, in order to insist on the development strategies of organic growth, external expansion and integrated development. While strengthening R&D capabilities, the Group will continue to achieve the transformation and practice of global innovative advanced technology by adopting technology introduction and "deep incubation" models to access the global innovative advanced technology so as to facilitate the innovation and transformation, and propel the international expansion of the Group. Meanwhile, the Group will also step up its efforts to acquire and integrate with domestic and overseas quality pharmaceutical manufacturing companies. By strengthening the upgrading and optimization production and manufacturing systems and product marketing systems, the Group will proactively implement internationalization. Meanwhile, the Group will seize the development opportunities of healthcare services to strengthen its investment and management in the healthcare services segment. The Group will further enhance its core competence to improve its operating results. In addition, the Group will continue to actively explore the financing channels domestically and internationally and create favorable conditions for the continuous development of the Group.

Pharmaceutical R&D and Manufacturing

In the second half of 2019, the Group will continue to focus on innovation and international development, and strive to develop strategic products. Whilst actively seeking opportunities for mergers and acquisitions as well as consolidation in the industry, the Group seeks to achieve continuous and rapid growth of its revenue and profit.

Following the completion of the acquisition of Gland Pharma and its deeper integration into the Group, the Group will continue to increase its own capabilities in innovative R&D and internationalized drug registration and declaration, while establishing and promoting integration and synergy in the product lines and supply chains.

The Group will proactively push forward the development of professional marketing teams and follow-on products in therapeutic areas such as cardiovascular system, central nervous system, blood system, metabolism and alimentary system, anti-tumor and anti-infection. In addition to solidifying the market position and product growth in its existing key segments and products, the Group will further its efforts in promoting products including the rituximab injection (Han Li Kang), as well as febuxostat tablets (You Li Tong), pitavastatin calcium tablets (Bang Zhi), recombinant human erythropoietin injection (CHO cells) (Yi Bao), quetiapine fumarate tablets (Qi Wei), antimalaria series such as artesunate, products that have passed the consistency evaluation of generic drugs and other newly launched products so as to maintain and further improve the leading position in their respective market segments.

The Group will continue to adopt the strategy to integrates generic and innovation drugs, in combination with international technology licenses and domestic industry-university-research cooperation, and increase its investments in R&D driven by the cooperation tie of "project plus technology platform". Project approval process for new products will continue to be strictly implemented by the Group in order to enhance the efficiency of research and development. The Group will strengthen the development of the teams for the registration of pharmaceutical products in order to accelerate the approval process of existing products as well as to support innovation. The Group will actively facilitate the R&D and registration processes for products including monoclonal antibody products and small molecular innovative drugs and ensure that the development and registration processes will be completed on schedule. Furthermore, the Group will continue to accelerate its efforts to link its R&D with market conditions so that demand and supply are better matched. The Group will fully take advantage of the benefits of various R&D platforms, and strive to develop strategic product lines as well as R&D systems that are in line with international standards for new pharmaceutical products, and accelerate the development and reserve for follow-on strategic products.

At the same time, the Group will seize such opportunity of consistency evaluation on generic drugs, to maintain and expand its market position in advantage types and make a new deployment in the market for the Group's products. For the second half of 2019, the Group will continue to advance the consistency evaluation.

In addition, the Group will also further expand and intensify its cooperation with the leading pharmaceutical companies in the world in order to give full play to the advantages of connecting momentum in China to global resources, making innovations in the cooperation model and searching for new momentum. In the second half of 2019, the Group will proceed to make use of the industry experience of the Group and the leading research and development in the world for the purpose of active cooperation among pharmaceutical manufacturing enterprises, in order to solidify the core competence of its pharmaceutical manufacturing business.

Healthcare Services

In the second half of 2019, the Group will continue to seize the business and investment opportunities arising from the opening up of the healthcare services segment to social enterprises. The Group will continuously increase its investments in the healthcare services segment, strengthen the established strategic deployment of its healthcare services business which integrates high-end healthcare services in coastal developed cities and specialty hospitals and general hospitals in second-tier and third-tier cities in an effort to expand the scale of our healthcare services business, and focus on building the healthcare system of the Greater Bay Area and the Yangtze River Delta region. The Group plans to establish a hospital management system at the group level, improve operational modules such as disciplines and talents, quality and safety, care and services, and performance and evaluation, and integrate internal drugs, devices, diagnosis and other resources. It will further strengthen healthcare institutions it controls in terms of their disciplines and quality management, operational efficiency and business development. Chancheng Hospital gained JCI international certification and the Group further increased its shareholdings in Chancheng Hospital, which will facilitate the further expansion of radiation coverage and regional influence of medical services of Chancheng Hospital and the improvement in the layout of the Group's medical services industry in Southern China. The Group will also promote the reconstruction and expansion of Taizhou Zhedong Hospital Co., Ltd., Zhongwu Hospital and Guangji Hospital as well as the implementation of the Huai'an Xinghuai International Hospital Project, and positively seeking new opportunities for merger and acquisition of healthcare services.

Medical Diagnosis and Medical Devices

In the second half of 2019, the Group will increase its investments in R&D, manufacturing and sales of medical devices. Sisram Medical will further stimulate the R&D and sales of medical and medical cosmetic devices and actively explore synergy and innovation in service models with other business segments in order to extend its coverage in the industry chain. Meanwhile, the Group will continue to leverage its strengths in expanding international operations, and with its existing overseas companies as platforms, vigorously explore cooperation with overseas companies on the basis of proactive integration and seek investment opportunities in outstanding domestic and foreign medical devices enterprises and introduction of high-end medical devices while targeting precise medical care, so as to achieve growth in the scale of its medical devices business.

In the second half of 2019, the Group will continue to develop and introduce products, launch new products and enrich new product lines for its diagnostic business. The Group will continue to enhance the development of domestic and overseas sales network and its professional sales team, strive to increase the market share of its diagnostic products including those newly introduced and registered, and actively seek opportunities to invest in quality diagnostic companies both domestically and internationally.

Pharmaceutical Distribution and Retail

In the second half of 2019, the Group will continue to facilitate consolidation and rapid development of Sinopharm in pharmaceutical distribution, and the continued expansion of the competitive advantages of Sinopharm in its distribution of pharmaceutical and medical device and in the retail sector.

Financing

In the second half of 2019, the Group will continue to explore the financing channels domestically and internationally, optimize its financing channels and debt structure, lower finance costs and further enhance its core competence, so as to consolidate its leading position in the industry.

3. Potential Risks

I. *Risks in relation to industry policies and system reforms*

The pharmaceutical industry is one of the industries most affected by national policies in the PRC. Enterprises which engage in the production and sale of pharmaceutical products, diagnostic products and medical devices must obtain relevant permits issued by drug supervision and administration authorities. The product quality is regulated under stringent laws and regulations. The pharmaceutical industry is currently at the stage where relevant state policies are under significant adjustment and is strictly controlled.

Although the Group's major business segments in manufacturing and sale for pharmaceutical products, medical devices and diagnostic products have obtained the above-mentioned permits and approvals issued by drug supervision and administration authorities, the state may adjust its regulations, policies and measures in respect of the manufacturing and sale of pharmaceutical products, diagnostic products and medical devices. If the Group is unable to make corresponding adjustment and improvement, the production and operation of the Group may be adversely affected. In addition, with the intensified efforts in the reform of drugs and pharmaceutical system, industry consolidation and transformation in business models are inevitable. China's continuing medical and health system reform and medical insurance reform will directly affect the development trend of the entire pharmaceutical industry, while policies and measures such as centralized and bulk purchase of drugs, generic drug quality consistency evaluation, medical insurance price negotiation and centralized procurement, production quality standards and environmental protection also affect the profitability and production cost of the entire pharmaceutical industry, which in turn affect the production and operation of the Group.

In the field of healthcare services, uncertainties remained in the reforms of public hospitals, which accounted for the mainstay of medical services. They proposed a variety of strategic options for the entry of social forces, and were of the view that social forces might contribute greatly in the long-term if state-owned enterprises in medical institutions were given policy opportunities.

II. ***Market risks***

Due to the huge market size and great development potential of the pharmaceutical market in the PRC, the world's major pharmaceutical companies have proactively strengthened their business development. The large number of domestic pharmaceutical manufacturers led to low market concentration and further intensified market competition. Intensive promulgation of new regulations on healthcare and medical insurance accelerated the transformation of the industry as a whole. All these factors further intensify the uncertainty of the development of pharmaceutical manufacturers.

With respect to the overseas regulatory markets dominated by the United States, which had been entered into through acquisitions, the competition for generic drugs was fierce, the price of which continued to fall, and drug regulatory agencies implemented increasingly stringent requirements on production quality. These factors constituted unavoidable risks during the deepening of internationalization. In emerging markets such as Africa, with the continuous entry of generic pharmaceutical companies such as India, the Group was also under pressure from government tenders. Meanwhile, the Group is also exposed to potential payment risks brought about by currency/foreign exchange instability

III. ***Business and operating risks***

Being a special commodity, pharmaceutical products are directly related to life and health. The quality issues arising from raw materials, production, transportation, storage and usage of pharmaceutical products may have an adverse impact on the production, operation and market reputation of the Group. On the other hand, in the event that the drugs of the Group do not align with the changing market demand, or the Group fails to develop new products or the Group's new products do not receive positive market response, the operating costs of the Group will increase, which may adversely affect the Group's profitability and future development.

Pharmaceutical manufacturing companies are exposed to environmental risks during the production process. Residue, waste gas, waste liquid and other pollutants produced may be harmful to the nearby environment if they are not treated properly, which in turn affect the normal production and operation of the Group. Despite the strict compliance by the Group of the relevant environmental protection laws, regulations and standards for its waste treatment and emission of residue, waste gas and waste liquid, the environmental protection costs incurred by the Group may increase in light of the enhanced social awareness on environmental protection over time, and the potential implementation of more stringent environmental protection laws and regulations by central and local government.

The healthcare services segment is exposed to medical malpractice risks, including complaints and disputes between doctors and patients arising from misdiagnosis, surgical risk and incidents relating to defects of treatment devices. In the event of serious medical malpractice, relevant compensation and loss may be incurred by the Group, and operation results, brand and market reputation of the Group's healthcare services segment could be adversely affected.

IV. ***Management risks***

(1) *Management risks in relation to business expansion*

With the implementation of the internationalization strategies of the Group, the scale of export of the Group's products and the region coverage of its overseas production will be expanded. The Group may face various problems during the process of implementation of internationalization strategies, including unfamiliarity with the overseas markets, difference in the demands between overseas and domestic customers, and implementation of trade protection policies in certain countries. At the same time, with the further expansion in global sales network of the Group, the scale of sales and the scope of business, there are higher requirements on the operating and management ability of the Group. If the Group's capability regarding production, marketing, quality control, risk management, compliance with integrity and talent training does not align with the development pace of the internationalization of the Group or the requirement for the expansion of the Group, the Group is exposed to operating and management risks. In addition, as the proportion of procurement, sales and acquired businesses that are settled in foreign currencies have been increasing, the exchange fluctuation between RMB and other currencies may affect the operation of the Group.

(2) *Risks arising from acquisitions and reorganizations*

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

V. ***Force majeure risks***

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

4. Other Events

(a) *2018 Shareholding Increase Plan of the Controlling Shareholder*

As notified and confirmed by Shanghai Fosun High Technology (Group) Company Limited* (上海復星高科技(集團)有限公司) ("**Fosun High Tech**"), the controlling shareholder of the Company, in writing on 3 July 2018 and 26 July 2018, Fosun High Tech (and/or by parties acting in concert with it) intended to further increase its shareholding in the Company (including A shares and/or H shares) on the secondary market during the 12-month period from 3 July 2018 (inclusive), if and where appropriate, and the cumulative total amount thereof shall not be less than RMB100 million. The increased shareholding percentage of Fosun High Tech and parties acting in concert with it shall not in aggregate exceed 2% of the total issued shares of the Company prior to the completion of H shares placing on 3 July 2018 (i.e. 2,495,060,895 shares, the same for below).

On 2 July 2019 (after trading hours), the implementation of the 2018 shareholding increase plan of the controlling shareholder of the Company lapsed. From 3 July 2018 to 2 July 2019 (inclusive), Fosun High Tech acquired a total of 23,964,300 shares (including 1,519,800 A shares and 22,444,500 H shares) of the Company for an aggregate amount of approximately RMB562.78 million, and the increased shareholding percentage of Fosun High Tech in aggregate represents approximately 0.96% of the total issued shares of the Company prior to the completion of H Shares placing on 3 July 2018.

(b) *Issuance of Inter-bank Market Debt Financing Instruments*

The mandate to issue inter-bank market debt financing instruments was approved by the Shareholders on 29 June 2017. The National Association of Financial Market Institutional Investors accepted the registration for the Company's mid-term notes and super short-term commercial papers by issuing the "Notice of Acceptance for Registration" (Zhong Shi Xie Zhu 2018 MTN No. 208) and "Notice of Acceptance for Registration" (Zhong Shi Xie Zhu 2018 SCP No. 90) on 17 April 2018. The registered amounts for each of the Company's mid-term notes and super short-term commercial papers are RMB5 billion, respectively, and are valid for 2 years commencing from the date of issuance of the relevant notices. The Company may issue the aforementioned in tranches within the effective period of registration.

The issuance of the first tranche of super short-term commercial papers for 2019 was completed by the Company on 21 January 2019 with the aggregate principal amount of RMB1 billion. The value date of such super short-term commercial papers issued was 21 January 2019, with the final coupon rate at 3.73%.

(c) *Gland Pharma Share Option Incentive Scheme*

The Shareholders approved, among other matters, the share option incentive scheme of Gland Pharma, on 25 June 2019 (the "**Gland Pharma Share Option Incentive Scheme**"). The purpose of the Gland Pharma Share Option Incentive Scheme is to (i) reward the employees

for their past as well as future performance, (ii) align the interests of the employees with those of shareholders of Gland Pharma, (iii) foster the sense of ownership of the employees, and (iv) reward the employees for their loyalty.

Subject to the terms of the Gland Pharma Share Option Incentive Scheme, the maximum number of Gland Pharma shares that may be issued pursuant to exercise of options granted to the participants under the Gland Pharma Share Option Incentive Scheme shall not exceed 170,444 shares, representing 1.1% of the total number of issued Gland Pharma shares as at the date on which the shareholders of Gland Pharma approved the adoption of the Gland Pharma Share Option Incentive Scheme. Subject to the limitations prescribed under the Gland Pharma Share Option Incentive Scheme, Gland Pharma reserves the right to increase or reduce such number of Gland Pharma shares as it deems fit.

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

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

							Number of Options				
Participant	Date of Grant (dd-mm-yyyy)	Options Granted	Exercise Price Per Share (INR)	Vesting Date (dd-mm-yyyy) *Note*	Portion of Granted Options	Exercise Period (dd-mm-yyyy) *Note*	1 January 2019	Exercised	Lapsed	Cancelled	30 June 2019
Employees of Gland Pharma	27-6-2019	154,950	5,420	26-6-2020	40%	26-6-2020 to 26-6-2029	0	—	—	—	154,950
				31-3-2021		31-3-2021 to 26-6-2029					
				31-3-2022		31-3-2022 to 26-6-2029					
				31-3-2021	30%	31-3-2021 to 26-6-2029					
				31-3-2022		31-3-2022 to 26-6-2029					
				31-3-2022	30%	31-3-2022 to 26-6-2029					

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

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

The Restricted A Share Incentive Scheme II

As (1) the grantees of the Restricted A Share Incentive Scheme II, namely Mr. Li Chun, Mr. Li Dongjiu, Mr. Shao Ying, Ms. Shi Jiajue, Ms. Zhou Ting, Ms. Yan Jia, Ms. Zhang Ye and Mr. Deng Jie, had resigned from the respective positions in the Company or its subsidiaries and terminated their employment contracts with the Company or its subsidiaries; (2) the 2017 performance appraisal results of Mr. Song Dajie, a grantee of the Restricted A Share Incentive Scheme II, failed to achieve the

benchmark of "Pass" in his performance target for 2017, they no longer fulfilled the conditions for incentives. On 13 November 2018, the Board considered and approved the repurchase and cancellation of 162,350 Restricted A Shares which were granted to the above 9 grantees, which had not been unlocked, at a repurchase price of RMB10.54 per share for a total repurchase amount of RMB1,711,169. Such repurchased Restricted A Shares were cancelled on 29 April 2019.

Repurchase of "16 Fosun 01" Corporate Bond

In accordance with the stipulation of options for the issuer to adjust the coupon rate and for investors to sell back "16 Fosun 01" in "Prospectus on the Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors in 2016 by Shanghai Fosun Pharmaceutical (Group) Co., Ltd.*" (《上海復星醫藥(集團)股份有限公司2016年公開發行公司債券(面向合格投資者)(第一期)募集説明書》), on 4 March 2019, the Company made payment of principal and current interest to holders of 55,000 "16 Fosun 01" who had made valid report in respect of such repurchase. After the completion of the repurchase, the number of "16 Fosun 01" being listed and traded on the Shanghai Stock Exchange was reduced to 29,945,000 with a nominal value of RMB100 each.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

COMPLIANCE WITH THE CG CODE

As a company whose shares listed on the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"), the Company has remained in strict compliance with the articles of association, relevant laws and regulations, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Hong Kong Listing Rules**"). The Company is committed to continually improve its corporate governance structure, and to optimize its internal management and control and its business operation in order to improve the corporate governance of the Company.

The corporate governance practices adopted by the Company are based on the principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Hong Kong Listing Rules. The Company has complied with all the applicable code provisions contained in the CG Code during the Reporting Period, save as set out below the supplemented disclosure in relation to the election of directors of the Company.

Pursuant to code provision A.5.5(2) of the CG Code, where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting if the proposed independent non-executive director will be holding their seventh (or more) listed company directorship, why the board believes the individual would still be able to devote sufficient time to the board. The Company refers to its circular dated 26 April 2019 in relation to, among other things, the re-election of the Board. Dr. Wong Tin Yau Kelvin is a director of seven companies listed on the Hong Kong Stock Exchange (including the Company). Aside from COSCO

SHIPPING Ports Limited where he is an executive director, Dr. Wong Tin Yau Kelvin acts as an independent non-executive director for the other companies. As an independent non-executive director of these companies, Dr. Wong Tin Yau Kelvin is only required to attend relevant board meetings, committee meetings and general meetings of these companies and will not be involved in the daily management of these companies. During the term of his office as an independent non-executive director of the Company, he has maintained a high attendance rate for board meetings and committee meetings. With the rich experience of Dr. Wong Tin Yau Kelvin in corporate governance, he has provided professional advice to the Company to discharge his duties and responsibilities as an independent non-executive director of the Company. On this basis, the Company is satisfied that Dr. Wong Tin Yau Kelvin is able to devote sufficient time to discharge his duties as an independent non-executive director of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Hong Kong Listing Rules and formulated its Written Code for Securities Transactions for Directors and Relevant Employees of the Company (the "**Written Code**") as its codes of conduct regarding securities transactions.

Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the standards as set out in the Model Code and the Written Code throughout the Reporting Period.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The Group's interim results for the six months ended 30 June 2019 have been reviewed by the Audit Committee of the Company.

INTERIM DIVIDEND

The Board does not recommend the distribution of any interim dividend for the Reporting Period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Company (http://www.fosunpharma.com) and the Hong Kong Stock Exchange (http://www.hkexnews.hk). The 2019 Interim Report will be dispatched to the Shareholders and will be made available on the websites of the Company and the Hong Kong Stock Exchange as and when appropriate.

By order of the Board
Shanghai Fosun Pharmaceutical (Group) Co., Ltd.*
Chen Qiyu
Chairman

Shanghai, the PRC
26 August 2019

As at the date of this announcement, the executive directors of the Company are Mr. Chen Qiyu, Mr. Yao Fang and Mr. Wu Yifang; the non-executive directors of the Company are Mr. Xu Xiaoliang, Mr. Wang Can, Ms. Mu Haining and Mr. Liang Jianfeng; and the independent non-executive directors of the Company are Mr. Jiang Xian, Dr. Wong Tin Yau Kelvin, Ms. Li Ling and Mr. Tang Guliang.

* *for identification purposes only*