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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 (the "**Reporting Period**").

FINANCIAL HIGHLIGHTS

	2019	2018
	RMB'000	*RMB'000*
Operating results		
Revenue	**28,389,277**	24,713,875
Gross profit	**16,845,856**	14,348,566
Operating profit	**2,302,955**	2,090,542
EBITDA	**7,120,922**	5,856,167
Profit before tax	**4,525,753**	3,579,593
Profit for the year attributable to owners of the parent	**3,321,618**	2,707,923
Profitability		
Gross margin	**59.34%**	58.06%
Net profit margin	**13.19%**	12.22%
Earnings per share (RMB)		
Earnings per share — basic	**1.30**	1.07
Earnings per share — diluted	**1.30**	1.07
Assets		
Total assets	**76,062,759**	70,494,474
Equity attributable to owners of the parent	**31,831,179**	27,920,850
Total liabilities	**36,915,433**	36,958,647

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	**2019** ***RMB'000***	2018 *RMB'000*
REVENUE	*3*	**28,389,277**	24,713,875
Cost of sales		**(11,543,421)**	(10,365,309)
Gross profit		**16,845,856**	14,348,566
Other income	*4*	**336,656**	280,978
Selling and distribution expenses		**(9,846,757)**	(8,487,533)
Administrative expenses		**(2,654,743)**	(2,290,879)
Impairment losses on financial assets		**(97,114)**	(27,162)
Research and development expenses		**(2,041,401)**	(1,479,612)
Other gains	*6*	**1,897,033**	845,454
Other expenses		**(457,149)**	(175,296)
Interest income		**186,648**	145,738
Finance costs	*7*	**(1,074,690)**	(929,658)
Share of profits and losses of:			
Joint ventures		**(64,599)**	(50,441)
Associates		**1,496,013**	1,399,438
PROFIT BEFORE TAX	*5*	**4,525,753**	3,579,593
Income tax expense	*8*	**(782,231)**	(559,711)
PROFIT FOR THE YEAR		**3,743,522**	3,019,882
Attributable to:			
Owners of the parent		**3,321,618**	2,707,923
Non-controlling interests		**421,904**	311,959
		3,743,522	3,019,882
Earnings per share attributable to ordinary equity holders of the parent:	*10*		
Basic		**RMB1.30**	RMB1.07
Diluted		**RMB1.30**	RMB1.07

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019	2018
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**3,743,522**	3,019,882
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(152,201)**	(396,940)
Share of other comprehensive loss of associates	**(46,061)**	(88,783)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(198,262)**	(485,723)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods		
Equity investments designated at fair value through other comprehensive income		
Changes in fair value	**(19,554)**	(182,915)
Income tax effect	**(10)**	(47)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**(19,564)**	(182,962)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(217,826)**	(668,685)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,525,696**	2,351,197
Attributable to:		
Owners of the parent	**3,128,404**	2,099,387
Non-controlling interests	**397,292**	251,810
	3,525,696	2,351,197

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**10,720,960**	9,218,250
Prepaid land lease payments		**—**	1,522,752
Right-of-use assets		**2,454,742**	—
Goodwill		**9,013,990**	8,853,913
Other intangible assets		**9,036,246**	7,669,365
Investments in joint ventures		**381,332**	446,567
Investments in associates		**20,491,557**	20,924,073
Equity investments designated at fair value through other comprehensive income		**107,709**	126,313
Financial assets at fair value through profit or loss		**1,983,155**	2,505,807
Deferred tax assets		**196,095**	173,135
Other non-current assets		**1,273,605**	1,052,572
Total non-current assets		**55,659,391**	52,492,747
CURRENT ASSETS			
Inventories		**3,940,537**	3,287,392
Trade and bills receivables	*11*	**4,607,722**	4,336,151
Prepayments, other receivables and other assets		**1,420,087**	1,215,538
Financial assets at fair value through profit or loss		**456,651**	616,124
Debt investments at fair value through other comprehensive income		**445,103**	—
Cash and bank balances		**9,533,268**	8,546,522
Total current assets		**20,403,368**	18,001,727
CURRENT LIABILITIES			
Trade and bills payables	*12*	**2,397,315**	2,333,283
Other payables and accruals		**5,376,193**	4,312,390
Interest-bearing bank and other borrowings		**8,703,988**	10,533,021
Contract liabilities		**503,683**	530,897
Tax payable		**452,587**	213,655
Total current liabilities		**17,433,766**	17,923,246
NET CURRENT ASSETS		**2,969,602**	78,481
TOTAL ASSETS LESS CURRENT LIABILITIES		**58,628,993**	52,571,228

	2019	2018
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**12,987,095**	12,670,119
Deferred tax liabilities	**2,994,048**	2,908,359
Contract liabilities	**223,009**	71,513
Deferred income	**417,345**	363,488
Other long-term liabilities	**2,860,170**	3,021,922
Total non-current liabilities	**19,481,667**	19,035,401
Net assets	**39,147,326**	33,535,827
EQUITY		
Equity attributable to owners of the parent		
Share capital	**2,562,899**	2,563,061
Treasury shares	**—**	(1,711)
Reserves	**29,268,280**	25,359,500
	31,831,179	27,920,850
Non-controlling interests	**7,316,147**	5,614,977
Total equity	**39,147,326**	33,535,827

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirement of Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain equity investments, which have been measured at fair value. Disposal groups and non-current assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and Annual Improvements to *HKFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) 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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. 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.

HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

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

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.

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 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 leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact 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 IFRS 16 at January 1, 2019:

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

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

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics

- Excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application

As a lessee — Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under HKAS 17.

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *RMB'000*
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 are as follows:

	RMB'000
Operating lease commitments as at December 31, 2018	448,164
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(20,223)
Commitments relating to leases of low-value assets	(206)
Add: Payments for optional extension periods not recognised as at 31 December 2018	296
	428,031
Weighted average incremental borrowing rate as at January 1, 2019	4.72%
Discounted operating lease commitments as at January 1, 2019	389,652
Add: Finance lease liabilities recognized as at 31 December 2018	22,569
Lease liabilities as at 1 January 2019	412,221

(b) 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 Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) 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 impact on the financial position or performance of the Group.

1.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9 HKFRS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 And HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate of Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[4]

[1] Effective for annual periods beginning on or after 1 January 2020
[2] Effective for annual periods beginning on or after 1 January 2021
[3] No mandatory effective date yet determined but available for adoption
[4] Effective for annual periods beginning on or after 1 January 2022

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

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a

business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss after tax. The adjusted profit or loss after tax is measured consistently with the Group's profit or loss after tax except that 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, Equity investments designated at fair value through other comprehensive income and unallocated head office and investment management entities assets as these assets are managed on a group basis.

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

Year ended 31 December 2019

	Pharmaceutical manufacturing and R&D *RMB'000*	Medical devices and medical diagnosis *RMB'000*	Healthcare Service *RMB'000*	Pharma-ceutical distribution and retail *RMB'000*	Other business operations *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Segment revenue:							
Sales to external customers	**21,609,488**	**3,727,988**	**3,037,770**	**—**	**14,031**	**—**	**28,389,277**
Intersegment sales	**14,626**	**42,607**	**4,543**	**—**	**56,308**	**(118,084)**	**—**
Total revenue	**21,624,114**	**3,770,595**	**3,042,313**	**—**	**70,339**	**(118,084)**	**28,389,277**
Segment results*	**1,924,842**	**574,391**	**326,907**	**—**	**40,396**	**(44,249)**	**2,822,287**
Other income	**248,558**	**33,200**	**29,251**	**—**	**3,927**	**—**	**314,936**
Other gains	**351,562**	**816**	**1,722,272**	**7,274**	**1,211**	**—**	**2,083,135**
Interest income	**104,707**	**27,001**	**42,541**	**—**	**473**	**(2,824)**	**171,898**
Finance cost	**(123,731)**	**(21,456)**	**(27,654)**	**—**	**(4,512)**	**51,480**	**(125,873)**
Other expenses	**(100,260)**	**(84,192)**	**(92,666)**	**—**	**(262,358)**	**—**	**(539,476)**
Share of profits and losses of:							
Joint ventures	**(64,300)**	**153**	**—**	**—**	**(452)**	**—**	**(64,599)**
Associates	**78,439**	**8,961**	**(49,487)**	**1,626,266**	**(168,166)**	**—**	**1,496,013**
Unallocated other income, interest income and other gains							**(149,632)**
Unallocated finance cost							**(948,817)**
Unallocated expenses							**(534,119)**
Profit before tax	**2,419,817**	**538,874**	**1,951,164**	**1,633,540**	**(389,481)**	**4,407**	**4,525,753**
Tax	**(346,857)**	**(43,444)**	**(391,854)**	**—**	**(572)**	**—**	**(782,727)**
Unallocated tax							**496**
Profit for the year	**2,072,960**	**495,430**	**1,559,310**	**1,633,540**	**(390,053)**	**4,407**	**3,743,522**
Segment assets	**40,121,388**	**7,385,161**	**9,636,214**	**12,841,369**	**4,177,350**	**(2,145,292)**	**72,016,190**
Including:							
Investments in joint ventures	**359,501**	**12,484**	**—**	**—**	**9,347**	**—**	**381,332**
Investments in associates	**2,142,634**	**1,050,355**	**1,615,125**	**12,841,369**	**2,842,074**	**—**	**20,491,557**
Unallocated assets							**4,046,569**
Total assets							**76,062,759**
Segment liabilities	**19,421,165**	**1,516,956**	**2,149,467**	**—**	**291,274**	**(9,519,402)**	**13,859,460**
Unallocated liabilities							**23,055,973**
Total liabilities							**36,915,433**
Other segment information:							
Depreciation and amortisation	**1,042,979**	**174,579**	**284,827**	**—**	**18,094**	**—**	**1,520,479**
Impairment losses recognised in the statement of profit or loss, net	**70,719**	**79,186**	**75,181**	**—**	**261,995**	**—**	**487,081**
Capital expenditure**	**2,929,610**	**183,557**	**1,010,893**	**—**	**171,321**	**—**	**4,295,381**

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

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

Year ended 31 December 2018

	Pharmaceutical manufacturing and R&D *RMB'000*	Medical devices and medical diagnosis *RMB'000*	Healthcare Service *RMB'000*	Pharma-ceutical distribution and retail *RMB'000*	Other business operations *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Segment revenue:							
Sales to external customers	18,499,188	3,626,965	2,555,106	—	32,616	—	24,713,875
Intersegment sales	18,058	26,300	4,223	—	107,093	(155,674)	—
Total revenue	18,517,246	3,653,265	2,559,329	—	139,709	(155,674)	24,713,875
Segment results*	1,784,976	558,135	300,822	—	61,501	(105,054)	2,600,380
Other income	231,040	23,384	16,455	—	—	—	270,879
Other gains	294,809	38,002	16,753	—	469	(846)	349,187
Interest income	78,612	20,769	36,433	—	333	(4,632)	131,515
Finance cost	(101,768)	(11,363)	(6,666)	—	(13,449)	90,925	(42,321)
Other expenses	(82,981)	(82,726)	1,808	—	16	272	(163,611)
Share of profits and losses of:							
Joint ventures	(52,373)	2,766	—	—	(834)	—	(50,441)
Associates	103,204	(30,159)	(58,721)	1,514,745	(129,631)	—	1,399,438
Unallocated other income, interest income and other gains							520,589
Unallocated finance cost							(887,337)
Unallocated expenses							(548,685)
Profit before tax	2,255,519	518,808	306,884	1,514,745	(81,595)	(19,335)	3,579,593
Tax	(500,609)	(79,091)	(98,367)	—	(393)	—	(678,460)
Unallocated tax	—	—	—	—	—	—	118,749
Profit for the year	1,754,910	439,717	208,517	1,514,745	(81,988)	(19,335)	3,019,882
Segment assets	33,884,934	6,935,325	10,282,181	11,638,727	4,716,388	(849,525)	66,608,030
Including:							
Investments in joint ventures	423,273	12,331	—	—	10,963	—	446,567
Investments in associates	2,115,275	422,090	3,207,581	11,638,727	3,540,400	—	20,924,073
Unallocated assets							3,886,444
Total assets							70,494,474
Segment liabilities	13,837,163	1,156,439	1,368,632	—	323,293	(7,681,602)	9,003,925
Unallocated liabilities							27,954,722
Total liabilities							36,958,647
Other segment information:							
Depreciation and amortisation	1,041,804	122,073	152,350	—	30,689	—	1,346,916
Impairment losses recognised in the statement of profit or loss, net	48,957	73,700	(2,679)	—	4,374	—	124,352
Capital expenditure**	2,027,974	387,126	774,218	—	127,822	—	3,317,140

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

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

Geographical information

(a) ***Revenue from external customers***

	2019	2018
	RMB'000	*RMB'000*
Chinese Mainland	**21,767,461**	18,807,653
Overseas countries and regions	**6,621,816**	5,906,222
	28,389,277	24,713,875

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

(b) ***Non-current assets***

	2019	2018
	RMB'000	*RMB'000*
Chinese Mainland	**40,860,894**	37,417,024
Overseas countries and regions	**12,322,698**	12,270,468
	53,183,592	49,687,492

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

No revenue amounting to 10% or more of the Group's total revenue was derived from sales to a single customer for the years ended 31 December 2019 and 2018.

3. REVENUE

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

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers	**28,349,296**	24,679,708
Revenue from other sources		
Gross rental income	**39,981**	34,167
	28,389,277	24,713,875

(i) ***Disaggregated revenue information***

For the year ended 31 December 2019

Segments	Pharmaceutical manufacturing and R&D *RMB'000*	Medical devices and medical diagnosis *RMB'000*	Healthcare Service *RMB'000*	Pharmaceutical distribution and retail *RMB'000*	Other business operations *RMB'000*	Total *RMB'000*
Type of goods or services						
Sale of industrial products	**21,042,453**	**3,365,289**	**60,029**	**—**	**—**	**24,467,771**
Rendering of services and others	**535,983**	**343,819**	**2,977,741**	**—**	**14,031**	**3,871,574**
Sale of materials	**31,052**	**18,880**	**—**	**—**	**—**	**49,932**
Total revenue	**21,609,488**	**3,727,988**	**3,037,770**	**—**	**14,031**	**28,389,277**
Geographical markets						
Chinese Mainland	**16,720,334**	**1,999,116**	**3,037,770**	**—**	**10,241**	**21,767,461**
Overseas countries and regions	**4,889,154**	**1,728,872**	**—**	**—**	**3,790**	**6,621,816**
Total revenue	**21,609,488**	**3,727,988**	**3,037,770**	**—**	**14,031**	**28,389,277**
Goods and materials transferred at a point in time	**21,073,505**	**3,384,169**	**60,029**	**—**	**—**	**24,517,703**
Services transferred at a point in time	**391,912**	**201,958**	**2,977,741**	**—**	**14,031**	**3,585,642**
Services transferred over time	**144,071**	**141,861**	**—**	**—**	**—**	**285,932**
Total revenue	**21,609,488**	**3,727,988**	**3,037,770**	**—**	**14,031**	**28,389,277**

For the year ended 31 December 2018

Segments	Pharmaceutical manufacturing and R&D *RMB'000*	Medical devices and medical diagnosis *RMB'000*	Healthcare Service *RMB'000*	Pharmaceutical distribution and retail *RMB'000*	Other business operations *RMB'000*	Total *RMB'000*
Type of goods or services						
Sale of industrial products	18,069,806	3,431,255	43,954	—	—	21,545,015
Rendering of services and others	402,213	193,864	2,511,152	—	32,616	3,139,845
Sale of materials	27,169	1,846	—	—	—	29,015
Total revenue	18,499,188	3,626,965	2,555,106	—	32,616	24,713,875
Geographical markets						
Chinese Mainland	14,022,480	2,200,846	2,555,106	—	29,221	18,807,653
Overseas countries and regions	4,476,708	1,426,119	—	—	3,395	5,906,222
Total revenue	18,499,188	3,626,965	2,555,106	—	32,616	24,713,875
Timing of revenue recognition						
Goods and materials transferred at a point in time	18,096,975	3,433,101	43,954	—	—	21,574,030
Services transferred at a point in time	274,897	77,768	2,511,152	—	32,616	2,896,433
Services transferred over time	127,316	116,096	—	—	—	243,412
Total revenue	18,499,188	3,626,965	2,555,106	—	32,616	24,713,875

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

	2019	2018
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities as at the beginning of the reporting period:		
Advances from customers	**485,508**	460,512
Warranty services	**45,389**	60,351
	530,897	520,863

(ii) ***Performance obligations***

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

Sale of goods

The performance obligation is satisfied upon delivery of the products

Rendering of services

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of installation and customer acceptance

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2019	2018
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**503,683**	530,897
After one year	**223,009**	71,513
	726,692	602,410

The amounts disclosed above do not include variable consideration which is constrained.

4. OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
Dividend income from financial assets at fair value through profit or loss	**22,728**	4,136
Dividend income from equity investments at fair value through other comprehensive income	**876**	128
Government grants	**312,524**	276,714
Others	**528**	—
	336,656	280,978

5. PROFIT BEFORE TAX

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

	2019	2018
	RMB'000	*RMB'000*
Cost of inventories sold	**9,009,606**	8,648,685
Cost of services provided	**2,533,815**	1,716,624
Staff costs (including Directors', Supervisors' and Chief Executive's remuneration)		
Salaries and other staff costs	**4,481,645**	3,582,280
Retirement benefits:		
Defined contribution fund	**272,860**	230,344
Accommodation benefits:		
Defined contribution fund	**144,163**	116,660
Share-based payment expense	**109,066**	72,328
	5,007,734	4,001,612
Research and development costs:		
Current year expenditure excluding amortisation of other intangible assets	**1,965,520**	1,412,318
Less: Government grants for R&D projects*	**(63,516)**	(26,974)
	1,902,004	1,385,344
Auditors' remuneration	**4,700**	4,500
Operating lease payments	**—**	121,272
Depreciation of property, plant and equipment	**926,245**	887,151
Amortisation of other intangible assets	**436,095**	430,381
Provision for impairment of property, plant and equipment	**4,977**	—
Provision for impairment of inventories	**12,357**	17,190
Impairment losses on financial assets	**97,114**	27,162
Provision for impairment of goodwill	**75,000**	80,000
Provision for impairment of investments in associates	**297,633**	—
Depreciation of right-of-use assets (2018: amortisation of land lease payments)	**158,139**	29,384
Lease payments not included in the measurement of lease liabilities	**30,010**	—
Fair value gains on financial assets at fair value through profit or loss	**(22,168)**	(271,385)
Foreign exchange gain, net	**(40,758)**	(96,038)
Loss/(gain) on disposal of subsidiaries	**5,548**	(44,467)
(Gain)/loss on disposal of items of property, plant and equipment and other intangible assets	**(7,728)**	19,366
Donations	**15,037**	9,754

* The Group received various government grants related to research and development projects. The government grants received have been deducted from the research and development costs 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.

6. OTHER GAINS

	2019	2018
	RMB'000	*RMB'000*
Gain on disposal of interests in associates and joint ventures	**1,740,697**	350,704
Gain on disposal of subsidiaries	**—**	44,467
Gain on disposals of items of property, plant and equipment	**7,728**	—
Fair value gains on financial assets at fair value through profit or loss	**22,168**	271,385
Foreign exchange gain, net	**40,758**	96,038
Gain on settlement of payable balance not to be paid	**63,727**	68,518
Others	**21,955**	14,342
	1,897,033	845,454

7. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interest on bank and other borrowings (excluding lease liabilities)	**1,068,815**	937,579
Interest on lease liabilities	**25,451**	—
Less: Interest capitalised	**(19,576)**	(7,921)
Interest expenses, net	**1,074,690**	929,658

8. INCOME TAX

The provision for Chinese Mainland current income tax is based on a statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Chinese Mainland, which are taxed at preferential rates of 0% to 20%.

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated taxable profits arising in Hong Kong during the year. The provision of current income tax of Alma Lasers Ltd. ("**Alma Lasers**"), a subsidiary of the Company incorporated in Israel, is based on a preferential rate of 9%. 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, 34.94% from 1 April 2018 to 31 March 2019 and 25.17% after 31 March 2019.

	2019	2018
	RMB'000	*RMB'000*
Current	**791,919**	665,717
Deferred	**(9,688)**	(106,006)
Total tax charge for the year	**782,231**	559,711

9. DIVIDENDS

Cash dividend

	2019	2018
	RMB'000	*RMB'000*
Proposed final — RMB0.39 (2018: RMB0.32) per ordinary share	**999,530**	820,179

The Company proposed to distribute a cash dividend of RMB3.9 (tax-inclusive) for every 10 shares to all shareholders. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and the final dividend amount will be determined by the number of the ordinary shares on the dividend payment date.

The amount of the proposed final dividend of RMB999,530,000 is calculated based on the total number of ordinary shares of the Company of 2,562,898,545 shares on the record of 30 March 2020.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent 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 2,562,898,545 (2018: 2,522,578,937) in issue excluding restricted shares during the year.

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

When calculating the weighted average number of shares in the calculation of the diluted earnings per share amounts, the dilutive potential ordinary shares which were issued in prior years are assumed to be converted at the beginning of the year and the dilutive potential ordinary shares which were issued during the year are assumed to be converted at the issuance date.

	2019	2018
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**3,321,618**	2,707,923
Less: Cash dividends attributable to the shareholders restricted shares expected to be unlocked in the future	**—**	—
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**3,321,618**	2,707,923

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,562,898,545**	2,522,578,937
Effect of dilution — weighted average number of ordinary shares:		
Restricted shares	**—**	588,839
Weighted average number of ordinary shares in issue during the year used in the dilutive earnings per share calculation	**2,562,898,545**	2,523,167,776

11. TRADE AND BILLS RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**4,367,600**	3,623,640
Bills receivable	**240,122**	712,511
	4,607,722	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 ageing analysis of trade receivables, based on the invoice date and net of loss allowance, as at the respective reporting dates is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**4,302,722**	3,559,594
1 to 2 years	**111,346**	80,773
2 to 3 years	**61,584**	70,289
Over 3 years	**114,549**	70,012
	4,590,201	3,780,668
Impairment	**(222,601)**	(157,028)
	4,367,600	3,623,640

12. TRADE AND BILLS PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**2,152,747**	2,184,280
Bills payable	**244,568**	149,003
	2,397,315	2,333,283

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

An aged analysis of the trade payables as at the end of the reporting period is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**2,105,194**	2,126,387
1 to 2 years	**36,473**	31,018
2 to 3 years	**3,082**	18,328
Over 3 years	**7,998**	8,547
	2,152,747	2,184,280

13. EVENTS AFTER THE REPORTING PERIOD

Redemption of Corporate Bond "17 Fosun 01"

From 17 February 2020 to 21 February 2020, the number of valid redemption filings for Corporate Bond "17 Fosun 01" was 1,580,500, with a total redemption amount of RMB158,050,000 (excluding interest). The Group paid the redemption amount to the relevant bondholders on 16 March 2020. For the bonds that have been resold, the Group may resell such bonds according to relevant regulations from 16 March 2020 to 13 April 2020. The number of bonds to be resold shall not exceed 1,580,500 (each with a face value of RMB100). Upon completion of the resale, the

remaining unsold bonds (if any) will be cancelled. Corporate Bond "17 Fosun 01" is listed on the Shanghai Stock Exchange. The coupon rate of the bonds is adjusted to 3.48% and the maturity date is 14 March 2022. Accordingly, as at the date of approval of the financial statements, the Group has reclassified the Corporate Bond "17 Fosun 01", still listed and traded, to interest-bearing bank and other borrowings under non-current liabilities from interest-bearing bank and other borrowings under current liabilities as was presented as at 31 December 2019.

Novel Coronavirus (COVID-19) pandemic

The Novel Coronavirus ("**COVID-19**") epidemic broke out at the beginning of 2020. Wuhan Jihe Hospital Co., Ltd.* (武漢濟和醫院有限公司) ("**Wuhan Jihe Hospital**"), a subsidiary of the Group, was proclaimed as the "infectious disease area of Caidian District, Wuhan", becoming the designated hospital for the treatment of infected patients in Caidian District, Wuhan. The healthcare service sector set up a medical expert group to join the prevention and control of the epidemic in Wuhan. The medical devices and medical diagnosis segment undertook the production task of negative pressure ambulances from the Ministry of Industry and Information Technology. Production capability was increased in the first place, and ventilators were urgently deployed. The nucleic acid test kits for COVID-19, developed by Shanghai Fosun Long March Medical Science Co.,LTD, a subsidiary of the Group, obtained emergency approval from the NMPA and EU CE certification. Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd* (上海復星醫藥產業發展有限公司), a subsidiary of the Group, has obtained the license of vaccine products for COVID-19 developed by BioNTech SE based on its mRNA technology platform for exclusive commercialization in Chinese Mainland, Hong Kong, Macau and Taiwan.

The overall economic operation has be affected by COVID-19, and the Group's production and operation has also be affected to a certain extent. The degree of the impact depends on the situation,duration,implementation of various regulatory policies of the prevention and control of COVID-19 as well as the response of the Group. The Group will continue monitoring progress of the COVID-19, adopt a variety of measures to mitigate its negative impact on the Group's operation and ensure the orderly and smooth operation of the Group.

Proposed profit distribution of 2019

The Company proposed to distribute a cash dividend of RMB3.9 (tax-inclusive) for every 10 shares to all shareholders. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the general meeting and the final dividend amount will be determined based on the total share capital of the Company on the date of record for dividend payment. The amount of the proposed final dividend of RMB999,530,000 is calculated based on the Company's total share capital of 2,562,898,545 shares as at 30 March 2020.

1. THE BOARD'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD

In 2019, the global and PRC economies were still under numerous challenges and uncertainties. Against this backdrop, the PRC medical system went through continuous and deepening reform, and medical insurance policies were continuously introduced. The growth of the pharmaceutical manufacturing industry slowed down, and drug prices, in particular the price of generic drugs, continued to decline, while the research and development of innovative drugs enjoyed a period of rapid development, and medical devices and medical diagnosis benefited from policies with opportunities for rapid development. With a strong demand for healthcare services and the gradual adjustment in the industry structure, the composition 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 expand product innovation and improve management as well as international development, actively promoted the strategies of organic growth, external expansion and integrated development, thereby maintaining balanced growth of its principal businesses.

During the Reporting Period, the revenue of the Group increased by 14.87% to RMB28,389 million as compared to 2018. Revenue from pharmaceutical manufacturing and research and development (R&D) segment amounted to RMB21,609 million, representing an increase of 16.81% as compared to 2018. Revenue from medical devices and medical diagnosis amounted to RMB3,728 million, representing an increase of 2.78% as compared to 2018 and an increase of 28.7% on the same basis. Revenue from healthcare service segment amounted to RMB3,038 million, representing an increase of 18.90% as compared to 2018.

During the Reporting Period, the Group recorded revenue of RMB21,767 million in Chinese Mainland, representing an increase of 15.74% as compared to 2018. Revenue of an equivalent of RMB6,622 million was recorded in other countries or regions, representing an increase of 12.12% as compared to 2018. The proportion of the Group's revenue coming from other countries or regions was 23.33%.

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

Unit: million Currency: RMB

Business segment	**2019 Revenue**	2018 Revenue	Year-on-year increase/ decrease (%)
Pharmaceutical manufacturing and R&D *(Note 1)*	**21,609**	18,499	16.81
Medical devices and medical diagnosis *(Note 2)*	**3,728**	3,627	2.78
Healthcare services *(Note 3)*	**3,038**	2,555	18.90

Note 1: Revenue from pharmaceutical manufacturing and R&D segment increased by 15.8% on the same basis as compared to the corresponding period of 2018;

Note 2: Revenue from medical devices and medical diagnosis segment increased by 28.7% on the same basis as compared to the corresponding period of 2018 (including the impacts of the transfer of the distribution business of Da Vinci surgical robot to a joint venture, 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**"), and other factors);

Note 3: Revenue from healthcare services segment increased by 15.9% on the same basis as compared to the corresponding period of 2018.

During the Reporting Period, net profit, net profit attributable to shareholders of the listed company and net profit (after extraordinary gain or loss) attributable to shareholders of the listed company amounted to RMB3,744 million, RMB3,322 million and RMB2,234 million, respectively, representing a respective increase of 23.96%, 22.66% and 6.90%, as compared to 2018. During the Reporting Period, the main reasons for the increase in profits were: (1) revenue from pharmaceutical manufacturing and R&D segment maintained stable growth, and segment revenue increased by 16.81% as compared to 2018. Revenue from products such as febuxostat tablets (You Li Tong), pitavastatin calcium tablets (Bang Zhi), enoxaparin sodium injection, daptomycin, quetiapine fumarate tablets (Qi Wei) recorded rapid growth. Rituximab injection (Han Li Kang), as the first biosimilar approved in the PRC, commenced sales in mid-May 2019 and quickly gained market recognition, with annual sales of approximately RMB150 million. In 2019, the Group had 35 formulation items or series each recorded sales of over RMB100 million, increasing by 6 formulation items or series as compared to last year. Due to the contribution of revenue growth, the segmental revenue contributed by the pharmaceutical manufacturing and R&D segment increased by 18% year-on-year, of which the core enterprise Gland Pharma's net profit increased by 52.2% year-on-year during the Reporting Period (based on the financial statements of Gland Pharma and not taking into account the effects of amortization of appreciation from assets evaluation; the net profit of the core enterprise Jiangsu Wanbang Biopharmaceutical Company Limited* (江蘇萬邦生化醫藥集團有限責任公司) ("**Jiangsu Wanbang**") increased by 44.8% year-on-year during the Reporting Period (taking into account the effects of amortization of appreciation of asset evaluation); (2) the installation volume and surgical volume of Da Vinci

surgical robotic system of Intuitive Fosun, a joint venture in the medical devices and medical diagnosis segment, both increased rapidly. In 2019, 60 Da Vinci surgical robotic system were installed, and over 40,000 surgical operations were performed in Chinese Mainland and Hong Kong; HPV diagnostic reagent and genetic testing reagent for Thalassemias experienced faster growth; (3) the profit contribution from the disposal of equity interest in Healthy Harmony Holdings L.P. ("**HHH**") (whose main asset is United Family Hospital) held by the Group during the Reporting Period.

During the Reporting Period, the Group's cash flow from operating activities continued to rise. In 2019, net cash flow from operating activities amounted to RMB3,222 million, representing an increase of 9.23% as compared to 2018.

During the Reporting Period, the Group continued to increase its R&D expenditures. The total R&D expenditures for the year amounted to RMB3,463 million, representing an increase of 38.15% year-on-year. In particular, R&D expenses amounted to RMB2,041 million, representing an increase of 37.97%. During the Reporting Period, the R&D expenditures in the pharmaceutical manufacturing and R&D segment amounted to RMB3,131 million, representing an increase of 39.12%. Total R&D expenditures in the pharmaceutical manufacturing and R&D segment accounted for 14.38% of the revenue of the pharmaceutical manufacturing and R&D segment.

Pharmaceutical Manufacturing and R&D

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group generated revenue of RMB21,609 million, representing an increase of 16.81% as compared to 2018. During the Reporting Period, the segment results amounted to RMB1,925 million, which increased by 7.84% as compared to 2018; and the segment profit amounted to RMB2,073 million, which increased by 18.12% as compared to 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. In 2019, the revenue from febuxostat tablets (You Li Tong), pitavastatin calcium tablets (Bang Zhi), enoxaparin sodium injection, daptomycin, quetiapine fumarate tablets (Qi Wei) and other core products sustained rapid growth. The sales volume of febuxostat tablets (You Li Tong), pitavastatin calcium tablets (Bang Zhi) and enoxaparin sodium injection recorded growth of 105%, 113% and 57%, respectively. Rituximab injection (Han Li Kang), having become the first biosimilar in the PRC that obtained approval for market launch, commenced sales in mid-May 2019, quickly gained market recognition, and achieved sales of approximately RMB150 million for the year.

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

Unit: million Currency: RMB

Pharmaceutical manufacturing and R&D	**2019**	2018 *(Note 1)*	Year-on-year increase on the same basis (%)
Major products of metabolism and alimentary system therapeutic area *(Note 2)*	**3,816**	3,222	18.42
Major products of anti-tumor therapeutic area *(Note 3)*	**620**	500	24.04
Major products of anti-infection therapeutic area *(Note 4)*	**4,449**	3,965	12.22
Major products of central nervous system therapeutic area *(Note 5)*	**2,189**	1,774	23.40
Major products of cardiovascular system therapeutic area *(Note 6)*	**2,294**	1,901	20.66
Major products of blood system therapeutic area *(Note 7)*	**854**	711	20.21
Major products of APIs and intermediate products *(Note 8)*	**1,136**	1,301	–12.72

Note 1: In 2019, new major products were introduced, including indapamide tablets in the cardiovascular system therapeutic area, penehyclidine hydrochloride injection (Chang Tuo Ning) in the central nervous system therapeutic area, potassium chloride granules in the metabolism and alimentary system therapeutic area, clindamycin hydrochloride capsules in the anti-infection therapeutic area, and rituximab injection (Han Li Kang) in the anti-tumortherapeutic area. The 2018 data were restated according to the basis of 2019, that is, the 2018 data included sales revenue of new major products;

Note 2: Major products of metabolism and alimentary system therapeutic area include febuxostat tablets (You Li Tong), reduced glutathione series (Atomolan injection and Atomolan tablets), 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 3: Major products of anti-tumor therapeutic area include Xihuang capsules (Ke Sheng), rituximab injection (Han Li Kang), bicalutamide (Zhao Hui Xian), pemetrexed disodium for injection (Yi Luo Ze), ondansetron, paclitaxel, oxaliplatin and carboplatin;

Note 4: 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), 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, caspofungin, flucloxacillin sodium for injection (Ka Di), 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 5: Major products of central nervous system therapeutic area include deproteinized calf blood injection (Ao De Jin), quetiapine fumarate tablets (Qi Wei), penehyclidine hydrochloride injection (Chang Tuo Ning) and escitalopram tablets (Qi Cheng);

Note 6: Major products of cardiovascular system therapeutic area include heparin series preparations, pitavastatin calcium tablets (Bang Zhi), alprostadil dried emulsion for injection (You Di Er), 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 7: Major products of blood system therapeutic area include hemocoagulase for injection (Bang Ting) and Cobamamide for injection (Mi Le Ka);

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

The Group continued to focus on innovation and international development, consolidated and integrated its current product lines and various resources, strived to develop strategic products and optimized its pharmaceutical R&D system that integrated generic and innovative drugs. The Group also further increased its R&D expenditures. During the Reporting Period, the R&D expenditures in the pharmaceutical manufacturing and R&D segment amounted to RMB3,131 million, representing an increase of 39.12%, and accounting for 14.38% of the revenue of the pharmaceutical manufacturing and R&D segment. In particular, the R&D expenses amounted to RMB1,741 million, representing an increase of 38.72%, accounting for 8.00% of the revenue of the pharmaceutical manufacturing and R&D segment. As at the end of the Reporting Period, there were nearly 2,200 staff members in the R&D team, representing approximately 7% of the total number of employees in the Group. The Group had 264 pipeline innovative drugs, generic drugs, biosimilars and consistency evaluation projects of generic drugs (including 19 small molecular innovative drugs, 12 biopharmaceutical innovative drugs, 21 biosimilars, 133 generic drugs of international standards, 49 consistency evaluation projects, 2 traditional Chinese medicine drugs, 28 external projects (including 8 imported innovative drugs and 20 generic drugs were introduced)). As at the end of the Reporting Period, there were 8 projects applying for clinical trials, 32 projects under clinical trials and 38 projects pending approval for marketing. During the Reporting Period, a total of 136 patents had been applied for in the pharmaceutical manufacturing and R&D segment of the Group, including 13 U.S. patent applications, 3 Japan patent applications, 7 Europe patent applications and 6 PCT applications, with 47 licensed invention patents obtained. In 2019, there were 35 formulation items or series in the pharmaceutical manufacturing and R&D segment of the Group that each recorded sales of over RMB100 million, increasing by 6 formulation items or series last year, of which there were 3 formulation items or series with recorded sales of over RMB1,000 million, 7 formulation items or series with recorded sales between RMB500 million and RMB1,000 million.

In 2019, the Group focused on increasing its R&D investment in small molecular innovative drugs and monoclonal antibody biopharmaceutical innovative drugs and biosimilars, and CAR-T cell drugs, and systematically carried forward the introduction and registration of drug approvals and the 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 Chinese Mainland; 3 small molecular innovative drug products and 3 indications had launched overseas clinical trials; in particular: ORIN1001 had launched phase I clinical trials in the U.S. and recognized by the U.S. Food and Drug Admistration ("**U.S. FDA**") under the Fast Track Development Program; rituximab injection (Han Li Kang), the first domestic biosimilar, was approved for sales in Chinese Mainland; 2 monoclonal antibody biosimilars (Trastuzumab for injection and Adalimumab solution injection) were accepted for new drug application and included in the priority review procedure in Chinese Mainland; and 12 monoclonal antibody products and 8 combination therapies had launched more than 20 clinical trials worldwide; Axicabtagene Ciloleucel (code FKC876, i.e. anti-human CD19 CAR-T cell injection) of Fosun Kite Biological Technology Co., Ltd.* (復星凱特生物科技有限公司) ("**Fosun Kite**"), a joint venture, completed the bridging clinical trial of the Product for the treatment of adult patients with relapsed and refractory large B-cell lymphoma in Chinese Mainland and commenced clinical trials in Chinese Mainland and was granted priority review status for the launch and registration of drugs in March 2020. During the Reporting Period, the Group engaged in cooperation with ReNeuron Limited, a global leader in cell therapy, and imported cell therapy products targeting post-stroke disability and retinitis pigmentosa to advance the development of the stem cell platform; authorized by MimiVax LLC to exclusively develop and commercialize SurVaxM, an immunotherapy product targeting recurrent glioblastoma, further enriching the production line; the application of atorvabopapa, a licensed drug for the selective thrombocytopenia treatment of adult patients with chronic liver disease undergoing diagnostic procedures or surgery, for marketing was submitted to the National Medical Products Administration ("**NMPA**"); the clinical trial application for Tenapanor tablet for the treatment of irritable bowel syndrome with constipation was approved by the NMPA, while the application of Tenapanor tablet to treat another indication hyperphosphatemia in end-stage renal disease dialysis patients, for clinical trials was accepted by NMPA. During the Reporting Period, a total of 15 generic drugs of Gland Pharma received approval for sale from the U.S. FDA. As at the date of this announcement, 2 products (Dexrazoxane for injection and Zoledronic acid injections) of Gland Pharma were applied for imported drug registration and Import Drug License (IDL); 4 products (Zoledronic acid concentrated solution for injection, Caspofungin acetate for injection, Irinotecan hydrochloride injections and Tigecycline for injection) of Gland Pharma were already applied for imported drug registration and clinical trial application (CTA). The Group had 16 products on accumulated count that passed or were deemed to have passed the consistency evaluation of generic drugs, including 6 products (amlodipine besylate tablets, escitalopram tablets, indapamide tablets, clindamycin hydrochloride capsules, azithromycin capsules and Isoniazid Tablets) that won the two tenders for centralized and bulk purchase. It is expected that these pipeline products, the products under imported drug registration, and the generic drugs approved in consistency evaluation with bids awarded will provide a solid foundation to maintain sustainable development of the Group in the future.

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

No.	Name of R&D project on drugs (products)	R&D stages as at the end of the Reporting Period in the PRC		R&D stages as at the end of the Reporting Period in other countries	
		R&D stage	Stage of clinical trial	R&D stage	Stage of clinical trial
1	Foritinib Succinate Capsules	Clinical trial	Phase I	Application for clinical trial accepted (the U.S.)	—
2	FCN-411	Clinical trial	Phase I	—	—
3	PA-824	Clinical trial	Phase I	—	—
4	FN-1501	Clinical trial	Phase I	Clinical trial	Phase I (the U.S. and Australia)
5	FCN-437	Clinical trial	Phase I	Clinical trial	Phase I (the U.S.)
6	Wanpagliflozin Tablets	Clinical trial	Phase I	—	—
7	FCN-159	Clinical trial	Phase I	—	—
8	ORIN1001 [Note]	Clinical trial	Phase I	Clinical trial	Phase I (the U.S.)
9	Docetaxel Polymeric Micelle for Injection	Clinical trial	Phase I	—	—

Note: Such drugs had been recognized by the Fast Track Development Program of the U.S. FDA, and obtained approval for clinical trial in the PRC in January 2020;

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

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
1	Biosimilars	Rituximab Injection	Launched *(Note 1)*	—	—	—
2		Trastuzumab for Injection	NDA	Phase III	Application for sales *(Note 2)*	Phase III
3		Adalimumab Solution Injection	NDA	Phase III completed	—	—
4		Recombinant Anti-VEGF Humanized Monoclonal Antibody Injection	Clinical trial	Phase III	—	—
5		Recombinant Anti-EGFR Human/Murine Chimeric Monoclonal Antibody Injection	IND Approved	—	—	—
6		Recombinant Anti-HER2 Domain II Humanized Monoclonal Antibody Injection	Application for clinical trial accepted	—	—	—
7		Recombinant Anti-VEGFR2 Domain II-III Fully Human Monoclonal Antibody Injection	Clinical trial	Phase I	—	—
8	Biopharmaceutical innovative drugs	Recombinant Human/Murine Chimeric Anti-CD20 Monoclonal Antibody Injection	Clinical trial	Phase III *(Note 3)*	—	—
9		Recombinant Anti-VEGF Humanized Monoclonal Antibody Injection	IND Approved	—	—	—
10		Recombinant Anti-VEGFR2 Fully Human Monoclonal Antibody Injection *(Note 4)*	Clinical trial	Phase I	Approved for clinical trial	—
11		Recombinant Anti-EGFR Humanized Monoclonal Antibody Injection *(Note 5)*	Clinical trial	Phase Ib/II and Ia	Approved for clinical trial	—
12		Recombinant Humanized Anti-PD-1 Monoclonal Antibody Injection	Clinical trial *(Note 6)*	Phase II	Approved for clinical trial	—
13		Recombinant Fully Human Anti-PDL1 Monoclonal Antibody Injection	IND Approved	—	Clinical trial *(Note 7)*	Phase I
14		HLX22 Monoclonal Antibody Injection	Clinical trial	Phase I	—	—
15		HLX55 Monoclonal Antibody for Injection	IND Approved	—	—	—

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
16	Combination treatment	Combo of Recombinant Humanized Anti-PD-1 Monoclonal Antibody Injection and Recombinant Anti-VEGF Humanized Monoclonal Antibody Injection	Clinical trial *(Note 8)*	Phase III	—	—
17		Combo of Recombinant Humanized Anti-PD-1 Monoclonal Antibody Injection and Recombinant Anti-EGFR Humanized Monoclonal Antibody Injection	IND Approved	—	—	—
18		Combo of Recombinant Humanized 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	—	—
19		Combo of Recombinant Humanized Anti-PD-1 Monoclonal Antibody Injection with Chemotherapy (Carboplatin-Etoposide) as a Treatment for Untreated Extensive-stage Small Cell Lung Cancer	Clinical trial	Phase III	—	—
20		Combo of Recombinant Humanized Anti-PD-1 Monoclonal Antibody Injection with Chemotherapy as a Neo-/Adjuvant Treatment of Gastric Cancer	Clinical trial	Phase III	—	—
21		Combo of Recombinant Humanized Anti-PD-1 Monoclonal Antibody Injection with Chemotherapy (Carboplatin-Albumin-bound Paclitaxel) as a First-Line Treatment for Locally Advanced or Metastatic Squamous Non-small Cell Lung Cancer	Clinical trial	Phase III	—	—

Note 1: The application to market and register rituximab injection (Han Li Kang) was approved by the NMPA 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 ("**Accord Healthcare**") was granted by Shanghai Henlius Biotech Company Limited (上海復宏漢霖生物科技股份有限公司) ("**Shanghai Henlius**") 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 in the region (i.e. 53 countries including the United Kingdom, France and other countries in Europe, and 17 countries including Saudi Arabia, United Arab Emirates and other countries in the Middle East and North Africa and some CIS countries). During the Reporting Period, the MMA application for 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 Chinese Mainland.

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 NMPA 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 Chinese Mainland 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; phase II clinical trials of such drugs on unresectable or metastatic microsatellite instability-high or mismatch repair-deficient solid tumor that have failed standard therapies were in progress in Chinese Mainland; phase II clinical trials of such drugs on chronic hepatitis B indications were in progress in the Taiwan region of China.

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

Note 8: The Group has various combos of recombinant humanized anti-PD-1 monoclonal antibody injection and recombinant anti-VEGF humanized monoclonal antibody injection. The combos which are currently in the stage of clinical trial in Chinese Mainland include phase III clinical trials on the treatment of metastatic non-squamous non-small cell lung cancer, phase II clinical trials on the treatment of advanced hepatocellular carcinoma and phase I clinical trials on the treatment of solid tumors.

As at the end of the Reporting Period, major R&D progress of the Group on products introduced under external approvals is set out below:

No.	Type	Name of R&D project on drugs (products)	Indications	R&D stages as at the end of the Reporting Period in the PRC	Stage of clinical trial as at the end of the Reporting Period in the PRC
1	Chemical drugs	PA-824	For the treatment of patients with extensively drug-resistant tuberculosis (XDR-TB) or multidrug-resistant tuberculosis (MDR-TB) who cannot tolerate treatment/ experience low efficacy of treatment	Clinical trial	Phase I
2	Chemical drugs	Avatrombopag tablets	Thrombocytopenia associated with tumor chemotherapy	Clinical trial	Phase III
			Thrombocytopenia associated with elective diagnostic procedures or surgery of adult chronic liver disease patients	Application for sales	—
			Immune thrombocytopenia	Pre-IND	—
3	Chemical drugs	Tenapanor tablets	Irritable bowel syndrome with constipation	IND Approved	—
			Hyperphosphatemia in end-stage renal disease dialysis patients	Application for clinical trial accepted	—

No.	Type	Name of R&D project on drugs (products)	Indications	R&D stages as at the end of the Reporting Period in the PRC	Stage of clinical trial as at the end of the Reporting Period in the PRC
4	Chemical drugs	Bremelanotide for injection	Impaired female sexual desire	IND Approved	—
5	Chemical drugs	Opicapone capsules	Parkinson syndrome	Clinical trial	Phase I
6	Chemical drugs	Ferric pyrophosphate citrate solution	Iron substitutes for dialysis patients	Clinical trial	Phase I
7	Chemical drugs	Fortacin spray	Premature ejaculation	Pre-IND	—
8	Therapeutic biological products type 1	RT002	Moderate to severe glabellar lines in adults	Pre-IND	—
			Solitary dystonia in adults	Pre-IND	—

The Group has placed great emphasis on quality and risk management throughout the life cycle of its products, to develop a quality culture giving priority to quality with continuous improvement. The Group also coordinates domestic and overseas resources to further improve the international development of the quality system. The Group develops and implements strict quality and safety mechanisms and pharmacovigilance mechanisms at all stages of the production chain from product R&D, production to sales, and continued to promote pharmacovigilance operations, scientific support for pharmacovigilance and compliance with pharmacovigilance, in order to safeguard the medication safety of patients. The Group has fully implemented the concept of quality and risk management of product life cycle 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. During the Reporting Period, the Group continued to advance and implement Fosun Pharma Operation Excellence (FOPEX), enhanced internal quality auditing through the promotion of its quality culture, implemented Six Sigma improvements over the supply chain, promoted process safety management, and organized trainings on the new Drug Administration Law and expertise to improve operating efficiencty and form an intensive and efficient production layout, and, at the same time striving to realize the healthy and sustainable development of the Group's quality control 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 drove them 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, more than ten of the Group's domestic and overseas 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 received cGMP certifications from the EU and 1 production line for oral formulation of Jiangsu Wanbang received cGMP certifications from the U.S. FDA.

Actively seeking opportunities for mergers and acquisitions as well as consolidation in the industry, the Group opened up domestic and overseas markets, expanded the scale of its pharmaceutical manufacturing and R&D businesses and achieved continuous growth of its revenue and profit. During the Reporting Period, the Group completed the acquisition of controlling interests in Chengdu List Pharmaceutical Co., Ltd.* (成都力思特製藥股份有限公司) ("**List Pharma**") and the acquisition of GlaxoSmithKline Pharmaceuticals (Suzhou) Co., Ltd.* (葛蘭素史克製藥(蘇州)有限公司) (now renamed as Jiskai (Suzhou) Pharmaceutical Co., Ltd.* (吉斯凱(蘇州)製藥有限公司)) ("**Jiskai Pharma**"), further diversifying its product lines, expanding its pharmaceutical manufacturing facilities and enhancing its pharmaceutical manufacturing capability.

Medical Devices and Medical Diagnosis

During the Reporting Period, the Group realized revenue of RMB3,728 million from the medical devices and medical diagnosis segment, representing an increase of 2.78% as compared to 2018. During the Reporting Period, segment results amounted to RMB574 million, which increased by 2.91% as compared to 2018; segment profit amounted to RMB495 million, which increased by 12.67% as compared to 2018. The year-on-year increase in net profits was mainly attributable to: (1) Da Vinci surgical robotic system of Intuitive Fosun, a joint verture, recording a rapid increase in its installation and number of surgeries performed, with 60 Da Vinci surgical robotic system installed and over 40,000 surgeries performed in Chinese Mainland and Hong Kong in 2019; (2) a rapid increase in sales recorded in HPV diagnostic reagent and genetic testing reagent for Thalassemias.

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 investment in minimally invasive treatment systems and extending its production lines into the clinical treatment area. In 2019, 4 products of Sisram Medical passed EU CE certification, and 2 new products were launched, including Soprano Titanium and Colibri. Soprano Titanium is one of the most advanced laser hair removal platforms on the global market. Designed for non-surgical orbital surgery and wrinkle removal, Colibri has also been well received by the market. In 2019, the revenue of Sisram Medical amounted to

US$174 million and net profit amounted to US$22 million, representing an increase of 12.73% and 0.48% as compared to 2018 (based on the financial statements of Sisram Medical in its reporting currency), respectively.

In 2019, the revenue of HPV diagnostic reagent and genetic testing reagent for Thalassemias increased rapidly as compared to 2018. The self-developed fully automated chemiluminescence instrument was launched onto the market. Its relevant supporting reagents had 31 projects in aggregate that had obtained registration approval number. The diagnosis product, Glycotest (liver cancer diagnosis) had entered the registration phase.

Healthcare Services

During the Reporting Period, the revenue from the healthcare service segment amounted to RMB3,038 million, representing an increase of 18.90% as compared to 2018; During the Reporting Period, segment results were RMB327 million, representing an increase of 8.67% as compared to 2018, and segment profit was RMB1,559 million, representing an increase of RMB1,350 million as compared to 2018. The significant growth in segment profit was primarily attributable to the profit contribution from the disposal of equity interest in HHH (whose main asset is United Family Hospital) held by the Group during the Reporting Period. Segment profit without taking into account of each of the one-off factors amounted to RMB200 million, representing a decrease of 22.67% as compared to 2018, primarily due to the initial losses and increased operating costs of the newly established hospitals and clinics which were still in the expansion period.

Through continuous promotion of specialty deployment 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 had completed a strategic deployment of healthcare services in specialty and general hospitals with the Pearl River Delta Greater Bay Area, Yangtze River Delta and Huaihai Economic Zone being the regional focus for healthcare services. The medical service 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) ("**Foshan Chancheng Hospital**"), Shenzhen Hengsheng Hospital* (深圳恒生醫院) ("**Shenzhen 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) ("**Yueyang Guangji Hospital**"), Anhui Jimin Cancer Hospital* (安徽濟民腫瘤醫院) ("**Anhui Jimin Hospital**"), Wuhan Jihe Hospital*, Zhuhai Chancheng Hospital Company Limited* (珠海禪誠醫院有限公司) ("**Zhuhai Chancheng Hospital**"), Huai'an Xinghuai International Hospital Company Limited* (淮安興淮國際醫院有限公司) ("**Huai'an Xinghuai Hospital**") and Suqian Xingxing Rehabilitation and Medical Examination Company Limited* (宿遷市新星康復體檢院有限公司) ("**Suqian Rehabilitation Hospital**"), with a total of 4,328 authorized beds available for the public. During the Reporting Period, the total number of outpatient visits, the number of discharged patients and the number of surgeries of these medical institutions grew by 13%, over 19% and 14%, respectively.

During the Reporting Period, in operation management of healthcare services, the management systems and frameworks of medical, nursing, technical and other medical professions and functions of finance, EHS, procurement, infrastructure, etc. were continuously improved and optimized. Thus, the Group's healthcare services continued to improve in the areas of business development, management efficiency, procurement cost control and information technology system. The efficiency of asset management was also strengthened.

Shanghai Fosun Medical (Group) Co., Ltd. (上海復星醫療(集團)有限公司) ("**Fosun Medical**"), as a non-public medical institution, has been adhering to the guideline of "focusing on disciplined construction, creating quality medical services" throughout the years. By integrating the specialty resources of its hospitals, it has established 9 major disciplinary alliances, while many of its affiliated hospitals have completed the construction of key specialty hospitals on a municipal level, or even provincial level, in their respective regions. At the same time, 2 training bases for nurse specialists in obstetric care and stroke care have been established. During the Reporting Period, among the affiliated medical institutions of the Group, Suqian Rehabilitation Hospital was approved by the Suqian Health Commission as a class II rehabilitation hospital. Through the efforts in establishing this hospital classification, the groundwork for the business roadmap was been laid, which involved 4 Class II hospitals led and supported by 3 Class III hospitals in terms of business and discipline development; Foshan Chancheng Hospital took a further step in giving full play to its medical strengths and exemplary position in Southern China, serving as a demonstration for hospitals far and wide. The health hive demonstration project, based on the medical resources of Foshan Chancheng Hospital, the acquired Shenzhen Hengsheng Hospital and Zhuhai Chancheng Hospital 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. In addition, the Group proactively developed new medical services and products based on the Internet and constructed a service network from communities to hospitals. During the Reporting Period, Foshan Chancheng Hospital obtained the first internet hospital license within the Guangdong Province private hospital system, and continued to explore and participate in the new Internet medical industry to achieve a closed loop of online and offline services.

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 into accelerating industry consolidation and strengthening the distribution and retail network for pharmaceutical products. It also vigorously developed its medical device distribution business. In 2019, Sinopharm realized revenue of RMB425,273 million, net profit of RMB10,620 million and net profit attributable to shareholders of the parent of RMB6,253 million, which represented an increase of 23.44%, 12.93% and 7.14% as compared to 2018, 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 into facilitating integrated operations, planned for logistics network resources, promoted the set-up and

optimization of logistics system and enhanced efficiency of internal supply chain. In 2019, Sinopharm's revenue from the pharmaceutical distribution business increased by 20.02% as compared to 2018 to RMB337,317 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 6,204, continuing to lead the industry in scale. In 2019, Sinopharm's sales revenue from retail pharmacy maintained relatively rapid growth, reaching RMB19,803 million or an increase of 33.77% as compared to 2018.

In respect of medical device distribution, Sinopharm actively seized the opportunities arising from the rapid development of the medical device industry and vigorously developed medical device distribution business. In 2019, the sales of Sinopharm's medical device business achieved rapid growth with an increase of 40.06% in sales revenue as compared to last year to RMB69,294 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 and medical device distribution and retail, by virtue of the cooperation and linkage with Sinopharm, the Group also fully utilized Sinopharm's strengths in distribution network and logistics to facilitate the expansion of sales channels of the Group's pharmaceutical products.

In respect of digital technology innovation, adhering to the fundamentals of compliance and security, the Group continued to take forward its digital transformation strategy and actively built a intelligent data platform matching the business needs of the Group. By making use of new technologies such as information technology and big data artificial intelligence to realize cost reduction and efficiency, the operational efficiency of the Group was improved, boosting the rapid growth of businesses. During the Reporting Period, the online declaration and pharmacovigilance systems of the pharmaceutical manufacturing and R&D segment were launched and optimized. The Group also continued its efforts into promoting standardization for the hospital information system (HIS) of medical institutions under the healthcare services segment, the implementation of the hospital resources planning (HRP) project and the iteration and optimization of the Xingqiao

Scheme. Meanwhile, new projects such as internet marketing, S2B2C and new retail boosted the power of digital marketing. The smart production of top-level design, and the strategic planning for 5G and AI will lay a solid foundation for new technology-powered business in the future.

In collective procurement and strategic procurement, the Group further promoted collective procurement projects in cross-business segments and sectors. As at the end of the Reporting Period, 13 collective procurement and strategic bidding projects for production materials, production equipment, medical devices, etc. had been completed. Through the advancement of the collective procurement project and strategic agreement, the Group exerted a platform effect, realizing cost reduction and efficiency. Meanwhile, the Group optimized its procurement management guidelines to strengthen cross-function collaboration between departments, which created a linkage between audits and integrity to ensure the integrity and transparency of special procurement matters, 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 nature, 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 policy docnments including the Anti-Corruption Regulations (《反腐敗條例》), the Administrative Regulations on Reporting (《舉報管理規定》) and the Regulations on the Protection and Reward of Informers and Witnesses (《舉報人、證人保護與獎勵規定》), and adhered to the principles of "investigating every case, learning from past mistakes to avoid future ones, prevention as the first priority and addressing both the symptoms and root causes of a problem". By strengthening case investigation, optimizing management system and strengthening risk prevention and control, the Company continued to improve the prevention-monitoring-penalty management system of anti-corruption compliance, achieving the anti-corruption objective of strengthening supervision and improving governance.

Environment, Health and Safety

During the Reporting Period, the Group continued to accelerate and advance the construction and enhancement of its environmental, health and safety (EHS) management system, monitored EHS implementation by adopting a cross-checking model, and pushed forward the business system certification of external third-parties. By implementing and promoting internal/external system review, the Group assisted its subsidiaries to better implement various tasks on the EHS latitude, and thereby discharging its social responsibilities in environmental protection and employee safety.

Whilst the systematic construction of the EHS management system was underway, the Group optimized self-evaluation standards and procedural requirements by actively pushing forward the implementation of double prevention mechanism of hierarchical safety risk control and potential hazard identification and governance. Its subsidiaries were required to do the same and to complete self-evaluation of risks and carry out potential hazard identification so as to discover and rectify

issues in a timely manner, as the Group was determined to eliminate chances of accidents and to maintain safety. During the Reporting Period, with reference to the requirements of safety design diagnosis for new and ongoing projects, the Group actively promoted the intrinsic safety of API enterprises by launching process safety management. The Group also took the process safety investigation as an opportunity to map out the situation, and engaged in skills exchanges 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 demonstration hospitals to assist and help core enterprises in the healthcare services segment rise to the 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 talents, the Group provided intensive training at micro classes, annual operations camps and other occasions to enhance the knowledge and competency of EHS professionals at each subsidiary.

Besides performing its own social responsibilities, the Group promoted social responsibility awareness for suppliers through the supply chain system, and considers the level of social responsibility performance as a criterion for the assessment of quality suppliers. Through the green supply chain audit, the Group promotes social responsibility performance of companies in the supply chain, and regards it as a core component of supply chain management. During the Reporting Period, the Group made improvements to the established green supply audit standard, and progress was made in the annual green supply chain audit.

Financing

The Group continued to adjust and optimize its financing structure and lower debt level and financing costs. During the year, the Group repaid interest-bearing liabilities with the proceeds from investment, so as to lower its debt level. As at the end of 2019, the asset liability ratio of the Group was 48.5%, down by 3.9 percentage points as compared to the end of last year.

During the Reporting Period, Shanghai Henlius, a subsidiary, was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"), the aggregate proceeds from its amounted to approximately HK$3.4 billion. The Group continued to gain high recognition from investors in the open market and in aggregate issued three tranches of super short-term commercial papers, the aggregate proceeds of which amounted to RMB1.8 billion and the coupon rate at its lowest was 2.90%. The Group maintained and strengthened cooperation in the financing business with PRC and foreign-funded financial institutions, and completed US$400 million in overseas syndicated refinancing, which provided favorable conditions for the development of the Group's main business and the implementation of its internationalization strategy.

Social Responsibility

In pursuit of sustainable development of talents and products, the Group actively implemented the philosophy of "Innovation for Health" and remained committed to assuming corporate civic responsibility. The Group regards innovation as its most important social responsibility. Focusing on unmet medical needs, the Group continued to innovate, so as to provide patients and customers with better, more accessible and more affordable products and services. Artesunate for injection, an innovative drug whose independent intellectual property rights are owned by the Group, had saved the lives of more than 24 million people with severe malaria worldwide.

The Group organized charity events in support of education, scientific research and innovation, healthcare and poverty alleviation and childcare in 2019. Meanwhile, the Group actively responded to and facilitated the implementation of the Central Government's decision and plan of "targeted poverty alleviation and elimination", and organized various targeted poverty alleviation activities in respect of education for poverty elimination, healthcare for poverty alleviation, social poverty alleviation and basic support. In 2019, the Company took an active role in the "Village Doctors for Healthcare and Poverty Alleviation Project", which was jointly initiated by Shanghai Fosun Public Welfare Foundation* (上海復星公益基金會) ("**Fosun Foundation**"), China Population Welfare Foundation, and others. The Company also took part in "Understanding Lymphoma — A Medical Education Charity Event" (漢利康淋巴瘤科普公益行), which covers 10 poor counties in provinces including Xinjiang, Sichuan, Chongqing, Hainan, Jiangxi, Anhui, Henan and Yunnan, continuously enhancing the diagnostic and treatment quality of primary healthcare. The Group also collaborated with the Chinese Antituberculosis Association to launch the "Double Thousand Actions" project, alleviating poverty of over 4,000 patients with tuberculosis since 2016. It also supported education, scientific research and innovation through scholarship at universities such as the School of Life Sciences in Fudan University, Shenyang Pharmaceutical University and China Pharmaceutical University through the public welfare program "Future Star" (未來星), as well as donation to projects such as Tan Jia Zhen Life Sciences Prize* (談家楨生命科學獎). The Group launched the public welfare program "Xing Bang Project" (星邦計劃) to improve the academic standards and diagnostic capabilities of primary care doctors in the field of chronic diseases. The dedicated fund Gland Fosun Foundation was also set up to carry out local social welfare projects in India, demonstrating the Group's commitment to assuming corporate social responsibility.

With respect to social responsibilities, the Company received various recognitions in 2019, including the Golden Bee CSR Report Evergreen Award, the Most Socially Responsible Hong Kong Listed Company Award* (港股上市公司最具社會責任獎) of Gelonghui* (格隆匯) and the Sustainability Award of the Year in Sina Finance's Golden Awards (金責獎).

2. MAJOR OPERATIONS IN THE REPORTING PERIOD

A. Analysis on Principal Operations

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

Unit: million Currency: RMB

Items	Amount for the year	Amount for last year	Year-on-year change *(%)*	Reasons
Selling and distribution expenses	9,847	8,488	16.01	*Note 1*
R&D expenses	2,041	1,480	37.97	*Note 2*
Finance costs	1,075	930	15.59	*Note 3*
Other gains	1,897	845	124.50	*Note 4*
Impairment losses on financial assets	97	27	259.26	*Note 5*
Other expenses	457	175	161.14	*Note 6*
Income tax expenses	782	560	39.76	*Note 7*
Profit for the year attributable to non-controlling interests	422	312	35.24	*Note 8*
Net cash flow used in investment activities	–172	–5,245	96.72	*Note 9*
Net cash flow generated from financing activities	–1,936	3,138	–161.70	*Note 10*

Note 1: Mainly due to the intensified efforts to develop 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), a marketed product, and products proposed to be launched for sale such as trastuzumab, the set up of a sales force for Fosun Pharma in the U.S., and the expansion of a direct-sales network in North America, and other factors during the Reporting Period.

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

Note 3: Mainly due to the increase in average interest-bearing debts, as well as the increase in discount expense for right-of-use liability upon the adoption of new leasing standard during the Reporting Period.

Note 4: Mainly due to the equity transfer of the HHH (the main asset of which is United Family Hospital) during the Reporting Period.

Note 5: Mainly due to the credit impairment model and provision for impairment loss on accounts receivable expected to be uncollectable..

Note 6: Mainly due to the provision for long-term equity investment and impairment of goodwill during the Reporting Period.

Note 7: Mainly due to effect of income tax expenses incurred by the disposal of equity interest in HHH (whose main asset is United Family Hospital) during the Reporting Period.

Note 8: Mainly due to the contribution of increased profit of Gland Pharma and Yao Pharma, both non-wholly-owned subsidiaries of the Company during the Reporting Period.

Note 9: Mainly due to the recovery of cash upon the disposal of equity interest of HHH (the main asset of which is United Family Hospital) during the Reporting Period.

Note 10: Mainly due to the application of cash recovered upon the disposal of equity interest of HHH (the main asset of which is United Family Hospital) for repayment of interest-bearing debt during the Reporting Period.

I. *Analysis of Revenue and Cost of Sales*

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

Unit: million Currency: RMB

	Principal Operations by Segments					
By segments	**Revenue**	**Cost of sales**	**Gross profit margin** *(%)*	**Year-on-year change in revenue** *(%)*	**Year-on-year change in cost of sales** *(%)*	**Year-on-year change in gross margin**
Pharmaceutical manufacturing and R&D	21,609	7,479	65.39	16.81	14.67	increase of 0.65 percentage point
Medical devices and medical diagnosis	3,728	1,779	52.28	2.78	–5.77	increase of 4.34 percentage points
Healthcare services	3,038	2,264	25.47	18.90	19.92	decrease of 0.64 percentage point

Principal Operations by Products

By products	Revenue	Cost of sales	Gross profit margin *(%)*	Year-on-year change in revenue *(%)*	Year-on-year change in cost of sales *(%)*	Year-on-year change in gross margin
Major products of metabolism and alimentary system therapeutic area*(Note 1)*	3,816	597	84.36	18.42	5.98	increase of 1.84 percentage points
Major products of anti-tumor therapeutic area*(Note 2)*	620	193	68.81	24.04	41.46	decrease of 3.84 percentage points
Major products of anti-infection therapeutic area*(Note 3)*	4,449	1,269	71.47	12.22	18.48	decrease of 1.51 percentage points
Major products of central nervous system therapeutic area*(Note 4)*	2,189	111	94.92	23.40	15.20	increase of 0.36 percentage point
Major products of cardiovascular system therapeutic area*(Note 5)*	2,294	825	64.06	20.66	33.72	decrease of 3.51 percentage points
Major products of blood system therapeutic area*(Note 6)*	854	47	94.48	20.21	40.26	decrease of 0.79 percentage point
Major products of APIs and intermediate products*(Note 7)*	1,136	831	26.80	–12.72	–12.68	decrease of 0.03 percentage point

	Principal Operations by Geographical Locations					
By Geographical Locations	**Revenue**	**Cost of sales**	**Gross profit margin (%)**	**Year-on-year change in revenue (%)**	**Year-on-year change in cost of sales (%)**	**Year-on-year change in gross margin**
Chinese Mainland	21,767	7,627	64.96	15.73	12.98	increase of 0.85 percentage point
Overseas countries or regions	6,622	3,917	40.85	12.12	8.36	increase of 2.05 percentage points

Note 1: The revenue from major products of the metabolism and the alimentary system therapeutic area recorded an increase of 18.42% on the same basis, mainly due to net effects of the sales growth of febuxostat tablets (You Li Tong), thioctic acid injection (Fan Ke Jia) and alfacalcidol tablets (Li Qing), and the sales decrease of reduced glutathione (Atomolan injection).

Note 2: The revenue from major products of the anti-tumor therapeutic area recorded a year-on-year increase of 24.04%, mainly due to the revenue contribution of the recently launched Rituximab (Han Li Kang).

Note 3: The revenue from major products of the anti-infection therapeutic area recorded a year-on-year increase of 12.22%, mainly due to the sales growth of products including daptomycin and cefmetazole sodium for injection.

Note 4: The revenue from major products of the central nervous system therapeutic area recorded a year-on-year increase of 23.40%, mainly due to the sales growth of quetiapine fumarate tablets (Qi Wei) and escitalopram tablets (Qi Cheng), the sales impact from the addition of penehyclidine hydrochloride injection (Chang Tuo Ning), and the year-on-year sales recovery of deproteinized calf blood injection (Ao De Jin) during the first half of the year.

Note 5: The revenue from major products of cardiovascular system therapeutic area recorded a year-on-year increase of 20.66%, which was mainly due to the net effects from the sales growth of heparin series preparations, pitavastatin calcium tablets (Bang Zhi) and meglumine adenosine cyclophosphate for injection (Xin Xian An) and the sales decrease of alprostadil dried emulsion (You Di Er); the year-on-year decrease of gross profit margin was primarily due to changes in the product structure.

Note 6: The revenue from major products of blood system therapeutic area recorded a year-on-year increase of 20.21%, which was primarily due to the sales growth of hemocoagulase for injection (Bang Ting).

Note 7: The revenue from major products of APIs and intermediate products recorded a year-on-year decrease of 12.72%, mainly due to the impact of tariff and other factors on the export sales of amino acid.

(2) *Analysis of Cost*

Unit: million Currency: RMB

		By Segments				
By Segments	**Cost**	**Amount for the period**	**Percentage of the total cost for the period** *(%)*	**Amount for the corresponding period of last year**	**Percentage of the total cost for the corresponding period of last year** *(%)*	**Ratio of change for the period as compared with the corresponding period of last year** *(%)*
Pharmaceutical manufacturing and R&D	Cost of products	7,479	64.79	6,522	62.92	14.67
Medical devices and medical diagnosis	Cost of products and goods	1,779	15.41	1,888	18.22	–5.77
Healthcare services	Cost of services	2,264	19.61	1,888	18.21	19.92

Unit: million Currency: RMB

		By Therapeutic Areas				
By Therapeutic Areas	**Cost**	**Amount for the period**	**Percentage of the total cost for the period** *(%)*	**Amount for the corresponding period of last year**	**Percentage of the total cost for the corresponding period of last year** *(%)*	**Ratio of change for the period as compared with the corresponding period of last year** *(%)*
Major products of metabolism and alimentary system therapeutic area	Cost of products	597	7.98	563	8.63	5.98
Major products of anti-tumor therapeutic area	Cost of products	193	2.59	137	2.10	41.46
Major products of anti-infection therapeutic area	Cost of products	1,269	16.97	1,071	16.43	18.48
Major products of central nervous system therapeutic area	Cost of products	111	1.49	97	1.48	15.20
Major products of cardiovascular system therapeutic area	Cost of products	825	11.03	617	9.46	33.72
Major products of blood system therapeutic area	Cost of products	47	0.63	34	0.52	40.26
Major products of APIs and intermediate products	Cost of products	831	11.12	952	14.60	–12.68

Major Customers and Suppliers

Sales to the top 5 customers of the Group amounted to RMB5,879 million, representing 20.71% of the total sales for the year.

Purchases from the top 5 suppliers of the Group amounted to RMB1,091 million, representing 9.95% of the total purchases for the year.

II. *Expenses*

During the Reporting Period, the selling and distribution expenses of the Group amounted to RMB9,847 million, representing an increase of 16.01% as compared to 2018. The change in selling and distribution expenses was mainly affected by the intensified efforts to develop new products and new markets of the Group; the preparation of sales and marketing teams before the launch and promotion after the launch of rituximab injection (Han Li Kang), a launched product, and products proposed to be launched for sale such as trastuzumab, the set up of a sales team for Fosun Pharma in the U.S., and the expansion of a direct-sales network in North America, and other factors during the Reporting Period.

During the Reporting Period, the R&D expenses of the Group amounted to RMB2,041 million, representing an increase of 37.97% as compared with 2018. The change in R&D expenses was mainly due to the increase in the R&D expenditures in small molecular innovative drugs, biopharmaceutical innovative drugs and biosimilar, concentrated R&D expenditures in consistency evaluation and increase in R&D expenditures in innovation incubation platform during the Reporting Period.

During the Reporting Period, the finance costs of the Group amounted to RMB1,075 million, representing an increase of 15.59% as compared to 2018. The change in finance costs was mainly affected by the increase in average interest-bearing debts as well as the increase in discount expense for right-of-use liability upon the adoption of new leasing standard during the Reporting Period.

III. *R&D Expenditures*

Accounting treatment of R&D expenses

The Group divides expenses for internal research and development projects into expenses in the research phase and expenses in the development phase. Expenses in the research phase are recognized in profit or loss for the period as incurred. Expenses in the development phase may only be capitalized if the following conditions are satisfied simultaneously: the completion of such intangible assets for use or sale is technically feasible; the Company has the intention to use or sell the intangible assets upon completion; the way in which the intangible assets bring economic benefits shows that there exists a consumption market for the products with use of these intangible assets or the intangible assets themselves, or that they are useful in case of internal utilisation; the Company has sufficient technological, financial and other resources to complete the development of the intangible assets and the ability to make them available for use or sale; and the expenses attributable to such intangible assets can be measured reliably at the development stage. Development expenses not satisfying all above conditions are recognized in profit or loss of the period as incurred.

Combining the characteristics of the R&D process of the pharmaceutical industry and of the Group itself, the Group's expenses for its R&D projects may only be accounted for as capitalized R&D expenses if they are incurred after relevant approvals or certificates (Approval for Clinical Trial and Pharmaceutical Product Registration Approval Document based on Measures on the Registration Administration of Medicines (藥品註冊管理辦法) issued by NMPA or approval from international drug regulatory authority on the regulatory market) are obtained, and if the present value of the Company's future cash flow or realizable value resulting from the evaluated project results are higher than the book value. The remainder of the R&D expenses would be expensed.

R&D Expenditures

Unit: million Currency: RMB

R&D expenditures expensed for the year	2,041
R&D expenditures capitalized for the year	1,422
Total R&D expenditures	3,463
Total R&D expenditures as a percentage of revenue (%)	12.12
R&D expenditures in the pharmaceutical manufacturing and R&D segment as a percentage of the revenue from the pharmaceutical manufacturing R&D segment (%)	14.38
The number of R&D staff in the Group	2,147
The number of R&D staff as a percentage of the total number of staff in the Group (%)	6.84
Percentage of R&D expenditures capitalized (%)	41.05

Descriptions

During the Reporting Period, the R&D expenditures in the pharmaceutical manufacturing and R&D segment amounted to RMB3,131 million, representing an increase of 39.12%, accounting for 14.38% of the revenue from the pharmaceutical manufacturing and R&D segment, mainly due to the continuous increase in the R&D expenditures in small molecular innovative drugs, innovative biopharmaceutical drugs and biosimilar, concentrated expenditures in consistency evaluation and increase in R&D expenditures in innovation incubation platform during the Reporting Period.

IV. *Cash Flows*

Unit: million Currency: RMB

Items	Amount for the period	Amount for the corresponding period of last year	Ratio of Change *(%)*	Reasons
Net cash flow generated from operating activities	3,222	2,950	9.23	Due to the income growth and increase in good return of the Group during the Reporting Period
Net cash flow used in investment activities	–172	–5,245	96.72	Mainly due to the recovery of cash upon the disposal of equity interest in the HHH (the main asset of which is United Family Hospital) during the Reporting Period, as well as the year-on-year decrease of cash paid for external investment during the year, etc.
Net cash flow used in financing activities	–1,936	3,138	–161.70	Mainly due to the application of cash recovered upon the disposal of equity interent in the HHH (the main asset of which is United Family Hospital) for repayment of interest-bearing debt during the Reporting Period.

B. Description on the non-principal business leading to significant changes in profit

Not applicable

C. Assets and liabilities analysis

Assets and liabilities

Unit: million Currency: RMB

Items	Amount as at the end of the period	Percentage of the amount as at the end of the period to the total asset (%)	Amount as at the end of last period	Percentage of the amount as at the end of last period to the total assets (%)	Ratio of change for the amount as at the end of the period as compared with the amount as at the end of last period (%)	Reasons
Prepaid land lease payments	—	—	1,523	2.16	–100.00	Mainly due to the reclassification of prepaid land lease payments into right-of-use asset during the Reporting Period according to the new lease standard applied this year
Right-of-use asset	2,455	3.23	—	—	N/A	Mainly due to the reclassification of prepaid land lease payments into right-of-use asset during the Reporting Period according to the new lease standard applied this year
Debt investments at fair value through other comprehensive income	445	0.59	—	—	N/A	Mainly due to the reclassification of bank acceptance bills expected to be used for discount into such item according to the report format disclosure requirement of the Ministry of Finance during the Reporting Period
Tax payable	453	0.60	214	0.30	111.68	Mainly due to the tax expenses relevant to the disposal of equity interest in the HHH (the main asset of which is United Family Hospital)

Items	Amount as at the end of the period	Percentage of the amount as at the end of the period to the total asset (%)	Amount as at the end of last period	Percentage of the amount as at the end of last period to the total assets (%)	Ratio of change for the amount as at the end of the period as compared with the amount as at the end of last period (%)	Reasons
Contract liabilities — non-current	223	0.29	72	0.10	209.72	Mainly due to the increase in the amount of contract advances received during the reporting period, and the corresponding revenue recognition points are expected to exceed one year

D. Analysis on investments

Major Subsidiaries and Investees

(1) *Operation and Results of Subsidiaries*

① Operation and Results of Major Subsidiaries

Unit: million Currency: RMB

Name of subsidiary	Nature of business	Major products or services	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Yao Pharma	Pharmaceutical manufacturing and R&D	Atomolan, You Di Er, Sha Duo Li Ka, Xi Chang, Cefmetazon, etc.	197	5,422	3,206	6,080	948	806
Jiang Su Wanbang	Pharmaceutical manufacturing and R&D	You Li Tong, Yi Bao, Xihuang capsules, Wan Su Ping, enoxaparin sodium series, etc.	440	4,816	2,426	5,352	727	654
Jinzhou Aohong Pharmaceutial Company Limited* (錦州奧鴻藥業有限責任公司) ("**Aohong Pharma**")	Pharmaceutical manufacturing and R&D	Ao De Jin, Bang Ting, Chang Tuo Ning, etc.	510	3,045	2,211	2,199	260	230
Gland Pharma	Pharmaceutical manufacturing and R&D	Heparin sodium, vancomycin, rocuronium bromide, etc.	N/A	6,564	5,311	2,507	650	513

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

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

② Status of Other Major Subsidiaries

Unit: million Currency: RMB

Name of subsidiary	Nature of business	Major products	Registered capital	Total assets	Net assets	Revenue	Net profit
Shanghai Henlius *(Note 1)*	Pharmaceutical manufacturing and R&D	Han Li Kang	543	5,900	4,000	91	–875
Foshan Chancheng Hospital *(Note 2)*	Healthcare services	Healthcare services	50	2,453	1,695	1,608	216
Sisram Medical *(Note 3)*	Medical devices manufacturing and R&D	Medical cosmetics devices, medical devices	N/A	2,745	2,271	1,196	151

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

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

Note 3: The data for Sisram Medical is prepared in accordance with International Financial Reporting Standards.

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

Unit: million Currency: RMB

Name of investee	Nature of business	Principal activities	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Sinopharm Industrial Investment Co., Ltd.* (國藥產業投資有限公司) ("**Sinopharm Industrial**")	Pharmaceutical investment	Pharmaceutical investment	100	269,844	77,243	424,271	13,781	10,634

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

① Acquisition of Subsidiaries in 2019

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

On 25 June 2019, Aohong Pharma entered into an equity transfer agreement with Chengdu List Investment (Group) Co., Ltd.* (成都力思特投資(集團)有限公司) and seven natural persons, including Mr. Huang Shaoyuan, and proposed to acquire approximately 21.9166% of the shares in List Pharma from above transferors. On 5 July 2019, Aohong Pharma entered into a property transaction contract with China SDIC Gaoxin Industrial Investment Corp., Ltd.* (中國國投高新產業投資有限公司), and Aohong Pharma proposed to participate in bidding for the public transfer to acquire approximately 75.9085% of the shares in List Pharma. On 22 October 2019, Aohong Pharma entered into an equity transfer agreement with Jiang Jun (姜俊) and other natural persons, and proposed to acquire approximately 1.4199% of the shares in List Pharma. As at the end of the Reporting Period, Aohong Pharma held 99.245% of the shares in List Pharma.

On 8 July 2019, Yao Pharma, a subsidiary of the Group, entered into an Agreement For Sale and Purchase of the Entire Registered Capital Interest in Glaxo Smith Kline Pharmaceuticals (Suzhou) Co., Ltd. with GlaxoSmithKline (China) Investment Company Ltd.* ("**GlaxoSmithKline (China)**"), pursuant to which 100% of the equity in Jiskai Pharma, a wholly-owned controlling subsidiary of GlaxoSmithKline (China), was transferred to Yao Pharma. As at the end of the Reporting Period, Yao Pharma held 100% the equity in Jiskai Pharma.

On 20 November 2019, Shandong Erye Pharmaceutical Co., Ltd.* (山東二葉製藥有限公司) ("**Shandong Erye**"), a subsidiary of the Group, acquired 100% of the equity of Shandong Bairui Pharmaceutical Co., Ltd.* (山東百瑞製藥有限公司) ("**Shandong Bairui**") from an independent third party and completed the merger.

The acquisitions of the subsidiaries in 2019 have had the following effect on the Group's production and results:

Unit: million Currency: RMB

Name of subsidiary	Acquired through	Net assets (as at 31 December 2019)	Net profit (from date of acquisition/ merger up to 31 December 2019)	Date of acquisition/ merger
Nova Medical	Equity transfer	79	21	15 January 2019
List Pharma	Equity transfer	589	27	15 July 2019
Jiskai Pharma	Equity transfer	256	4	29 November 2019
Shandong Bairui	Equity transfer	33	–1	21 November 2019

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

② The disposals of the subsidiaries in 2019 have the following effect on the Group's production and results:

On 11 January 2019, the deregistration 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 deregistration 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 deregistration of a subsidiary, namely Shanghai Qiguang Investment Management Company Limited* (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% of the equity interest 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 interest in Hainan Peng Kang.

On 15 May 2019, Qianda (Tianjin) International Trading Co., Ltd.* (謙達(天津)國際貿易有限公司) ("**Qianda Tianjin**"), a subsidiary entered into an equity transfer agreement with Zhang Wei, Dong Kuikui and Zhang Hongqi, pursuant to which Tianjin Qianda transferred 100% of the equity interest 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 interest in Denuo Dental.

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

On 25 July 2019, the deregistration of a subsidiary, namely Shanghai Fudi Medical Apparatus Co., Ltd. (上海復迪醫療器械有限公司) ("**Fudi Medical**"), was completed.

On 31 August 2019, the deregistration of a subsidiary, namely Henlix,Inc. ("**Henlix**"), was completed.

On 30 September 2019, the deregistration of a subsidiary, namely Meistar Limited ("**Meistar**"), was completed.

On 22 October 2019, the deregistration of GUILIN PHARMA AFRIQUE FRANCOPHONE CO., LIMITED ("**Guilin Afrique**"), a subsidiary, was completed.

On 11 November 2019, Suzhou Erye Pharmaceutical Co., Ltd.* (蘇州二葉製藥有限公司) ("**Erye Pharma**"), a subsidiary, entered into an Equity Transfer Agreement with Tian Liangfa (田良發), pursuant to which Erye Pharma transferred its 100% equity interest in Hainan Kai Ye Medical Company Limited* (海南凱葉醫藥有限公司) ("**Hainan Kaiye**") to Tian Liangfa. As at the end of the Reporting Period, Erye Pharma no longer held any equity interest in Hainan Kaiye.

On 17 December 2019, List Pharma, a subsidiary, entered into the Equity Transfer Agreement with Deng Jinping (鄧金平), pursuant to which List Pharma transferred its 100% equity interest in Chengdu List Pharmaceutical Research Co., Ltd.* (成都力思特藥物研究有限公司) ("**List Pharma Research**") to Deng Jinping. As at the end of the Reporting Period, List Pharma no longer held any equity interest in List Pharma Research.

The impact of disposal of subsidiaries in 2019 on the Group's operation 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	Deregistration	1.33	—	11 January 2019
Shandong Yixing	Deregistration	—	—	17 January 2019
Qiguang Investment	Deregistration	0.52	—	25 January 2019
Hainan Peng Kang	Equity transfer	–1.15	–0.32	22 May 2019
Denuo Dental	Equity transfer	2.48	–0.90	22 May 2019
Yulin Guanghai	Deregistration	—	—	14 June 2019
Fudi Medical	Deregistration	3.43	–0.06	25 July 2019
Henlix	Deregistration	—	0.03	31 August 2019
Meistar	Deregistration	—	–0.09	30 September 2019
Guilin Afrique	Deregistration	1.15	—	22 October 2019
Hainan Kaiye	Equity transfer	1.24	–0.24	17 December 2019
List Pharma Research	Equity transfer	0.05	–2.15	30 December 2019

E. Core Competence Analysis

The Group focuses on pharmaceutical manufacturing and R&D, and its business covers medical devices and medical diagnosis, healthcare services, pharmaceutical distribution and retail. 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 also took the lead in terms of business development and operation capability among private hospitals.

The core competitiveness of the Group is reflected in its multi-layered and strong R&D, professional marketing capability, international business development and integration, highly standardized production management, high-quality services, as well as construction of 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 industry; the dual listing status also provides a sound guarantee for the Group to enhance its competitive advantages.

In order to take advantage of its competitive strengths and maintain its continuous growth, the Group will continue to adhere to the strategies of organic growth, external expansion and integrated development in the future.

F. Employees and Remuneration Policies

As at the end of the Reporting Period, the Group had a total of 31,370 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.

3. THE BOARD'S DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY

A. Competition and Development Trends of the Industry

In 2020, the pharmaceutical and healthcare industry of China enters into a stage of crucial transformation, presenting both opportunities and challenges. In terms of market demand and payment, three factors are driving the continuous development of the pharmaceutical industry in China, namely, the accelerated aging process in the country, the Government's investment in the pharmaceutical and health industry, which is continuously increasing, and the increase in per capita disposable income. Moreover, the prevalence of geriatric diseases, chronic diseases, cancer and autoimmune diseases will grow continuously in the foreseeable future. There are many patients' needs to be met. These drivers will continue to exist and push the industry to develop at a pace faster than the GDP growth. In terms of industry structure, strategic emerging industries are led and encouraged by the State to undergo industrial upgrade and structural optimization, under which, affordable and quality generic drugs as well as high-value innovations based on clinical needs will become the development trend of the pharmaceutical industry. In terms of national policies, the 2019 "National Medical Insurance Drug Catalogue (國家醫保藥品目錄)" adjustment was completed to further optimize the negotiation and dynamic adjustment mechanisms of the inclusion of innovative drugs into the "Catalogue", thus fully reflecting the innovative direction of the policies. As a new breakthrough in deepening healthcare reform, the mode of centralized procurement of drugs in quantity organized and implemented by the State continued to be optimized. Innovation was brought in the access of pharmacentical market, providing chances of policy on the replacement of patented imported drugs by domestically manufactured drugs. This further encouraged enterprises to carry out quality consistency evaluation of drugs, especially for those enterprises manufacturing injection and their products. At the same time, various departments implemented initiatives relating to minor varieties of drugs and drugs in short supply to ensure active production of companies and market supply. The policies continued to support the long-term healthy development of innovative, large-scale domestic pharmaceutical enterprises.

In terms of challenges, on the one hand, the consistent concern about the drug quality, system standards and standardized operation of pharmaceutical enterprises from the government, especially the increasingly demanding planning and requirements on pharmaceutical distribution channels and marketing environment, have procured the industry to be more regulated, standardized and specialized, which may bring great pressure and challenges for certain enterprises in China in the short run. However, in the long run, such efforts will facilitate the consolidation and upgrading of industry. The investigation on and control over prices of pharmaceutical products taken over by the Medical Insurance Department will continue to deepen. The reform of the medical insurance payment method, the full implementation of the centralized pharmaceutical procurement system and the ongoing regulation of policy on rational clinical medication will pose greater challenges to the development, positioning and overall cost and quality control capabilities of pharmaceutical companies, at the same time promoting the acceleration of the integration progress of the pharmaceutical industry in the country. On the other hand, as relatively greater uncertainties lurk within the global economy and international environment, the international expansion of domestic enterprises will be subject to various challenges. However, as domestic market demand continues to grow at a steady pace, it will be difficult for the trend of transnational information, technology, talents and capital flows to change in the long run, which presents opportunities for the rapid development of PRC companies with capabilities to innovate independently and carry out international expansion. While facing with favorable capital market conditions and product market opportunities, the international expansion of PRC pharmaceutical enterprises is also consistent with the policy directions of the government's industry plans.

In terms of opportunities, the innovation capacity of enterprises will have rapid development. In particular, some quality pharmaceutical enterprises will realize the market value of their excellent R&D results built up during the Twelfth Five-year Plan period, thus further encouraging domestic pharmaceutical enterprises to increase R&D expenditures and develop high-value-added industry. Besides, in view of the international market, the pace of international development of the domestic pharmaceutical industry as a whole has accelerated. Various quality products have obtained approvals for market access in Europe, the U.S., Japan and other developed countries. The international and global development of PRC pharmaceutical enterprises significantly accelerates, which is in line with the overall policy direction of the government's industry plans.

At the same time, the State has further encouraged the participation in the segment by social enterprises, such as by optimizing the review and approval procedures for the provision of private healthcare, and providing more advantages to the provision of private healthcare in areas such as planning, tax and building of service capability. The Group will seize opportunities to make the specialties of the Group and regional public hospitals complement each other under a model of mutual collaboration between regional medical associations. With

the policy benefits of optimizing medical institutions invested by social capital, the Group will continue to accelerate its deployment of the medical services network while accumulating operation and management experience in medical services.

The Board of the Company is of the opinion that the Group, as a pharmaceutical enterprise with a considerable size and being the first pharmaceutical and healthcare group to develop internationally with the use of internet technology while creating product competitiveness, will continue to strengthen its business operation and invest more resources to support product innovation and market expansion. At the same time, the Group will continue to proactively carry out mergers and acquisitions in therapeutic areas with greater unmet needs, and steadily increase its production capabilities to continuously enhance its competitiveness in the market. As for the healthcare service sector, the Group will continue to focus on the construction of disciplines and operation enhancement based on specialty development by means of lean operation, building itself into a leading domestic private healthcare management group.

B. Development Strategies

In 2020, the Group will continue to commit to its mission of improving human health, adhere to its corporate philosophy of "Innovation for Good Health", and it will endeavor to capture the 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. The Group adhere to the development strategies of organic growth, external expansion and integrated development. While continuously enhancing its R&D capability, it will continue to achieve the transformation and practice of global innovative advanced technology by adopting technology introduction and "deep incubation" models to access the global innovative advanced technology so as to facilitate the innovation and transformation and propel the international expansion of the Group. Meanwhile, by acquiring and consolidating domestic and overseas quality pharmaceutical manufacturing companies, the Group will strengthen the upgrading and optimization of production and manufacturing systems and product marketing systems, and 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 financing channels domestically and internationally and create favorable conditions for the continuous development of the Group.

C. Operation Plan

In 2020, the development of the entire pharmaceutical industry will be presented with both challenges and opportunities. The Group will endeavor to optimize its product-oriented strategy, further increase its R&D expenditures, and strengthen R&D efficiency. In addition, the Group will continue to optimize operational efficiency in the healthcare service industry, and to expand the construction of competitive disciplines and enhance quality control so as to expand the operating scale in the segment and improve its capabilities in operation,

management and internationalization. Meanwhile, the Group will continue to pay attention to merger and acquisition opportunities in the sectors of quality pharmaceutical R&D abroad and at home, medical devices, medical diagnosis and healthcare service, so as to facilitate the consolidation of pharmaceutical and medical devices distribution industries of Sinopharm.

In the beginning of 2020, the outbreak of pneumonia caused by COVID-19 affected the overall economic operations. The Group's production and operations have also been affected to a certain extent. The specific extent of impact will depend on the prevention and duration of the pandemic and control, implementation of various regulatory policies and the Company's own response. The Group will continue to pay attention to the progress of the pandemic, and at the same time adopts various measures to mitigate the adverse impact of the pandemic on the business operation and ensure the ordered and stable production.

In 2020, the Group will strive to control costs and various expenses. As a result, the Group plans for the increase in costs not to exceed the growth in revenue and the cost of sales ratio and management expense (excluding R&D expenses) ratio will be relatively stable. Also, the percentage of R&D expenditure on pharmaceutical manufacturing segment to the total sales revenue from the pharmaceutical business will not be less than 5% so as to enhance profit margin and profitability of the major products.

The above operation objectives do not represent the profit forecast and performance commitment of the Group for 2020. The achievement of the objectives is subject to various internal and external factors with uncertainty. Investors should pay attention to investment risk.

The Group will continue to optimize its control throughout operation and enhance the efficiency of asset operations. Specific strategies and actions include:

(1) The pharmaceutical business of the Group will continue to focus on therapeutic areas such as metabolism and alimentary system, anti-tumor, anti-infection, central nervous system, blood system and cardiovascular system, and proactively push forward the transformation of marketing teams, which highlights professionalism, branding and digitalization. The Group will also step up its R&D efforts and enhance management over the life cycles of products, so as to maintain and further improve their leading positions in the respective market segments. Meanwhile, the Group will increase its R&D expenditures in an effort to develop strategic product lines, and develop R&D systems for new pharmaceutical products that are in line with international standards, in order to solidify the core competence of its pharmaceutical manufacturing business.

(2) The Group will continue to develop and introduce medical devices and diagnostic products, launch new products and enrich existing product lines. The Group will continue to enhance the development of its domestic and overseas sales network and its professional sales team, and innovate a diversified marketing model focusing on major technology platforms and innovative technologies, so as to increase the market share of

its products. The Group will also actively seek opportunities to invest in quality companies both domestically and internationally, with a view to becoming a leading integrated supplier of products and services.

(3) 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 in an effort to expand the scale of our healthcare services business and to innovate its model. Meanwhile, the Group will actively realize the operation mode of a medical group by seeking new mergers and acquisitions opportunities in healthcare services, so as to form a strategic layout of healthcare services in specialty and general hospitals with the Pearl River Delta Greater Bay Area, Yangtze River Delta and Huaihai Economic Zone being the regional focus for healthcare services. The healthcare institutions controlled and invested by the Group will further strengthen their disciplines and quality management and adjust business structure, so as to enhance operational efficiency. Through centralized procurement and information technology development, cost reduction and efficiency of member hospitals can be achieved, and business development will be accelerated.

(4) The Group will continue to consolidate and rapidly develop Sinopharm's pharmaceutical and medical devices distribution business, and continue to expand Sinopharm's competitive advantages in pharmaceutical and medical devices distribution industries.

Pharmaceutical Manufacturing and R&D

In 2020, the Group will continue to focus on innovation and international development, enhance capabilities in innovative R&D and increase internationalized drug registration and declaration, and strive to develop strategic products. Whilst actively seeking opportunities for mergers and acquisitions as well as consolidation in the industry, and establishing and promoting integration and synergy in the product lines and supply chains, the Group seeks to achieve continuous growth of its revenue and profit.

The Group will focus on therapeutic fields such as metabolism and digestion, tumor, and anti-infection, strengthen the construction of specialized marketing teams, and emphasize on the launching of, among others, the insulin series, biosimilars (Trastuzumab for injection and Adalimumab solution injection) and Axicabtagene Ciloleucel while maintaining the Group's market position and product growth in the original key areas and products; accelerate the clinical trials and launch of vaccine products against COVID-19 and licensed drugs such as Avatrombopag; strengthen the synergy around Gland Pharma's business, including the promotion of the import and registration of products including Dexrazoxane and Zoledronic acid injections, as well as the sales and expansion of certain products in the US market; continue to strengthen efforts in the marketing of domestic products that have passed the consistency evaluation of generic drugs and products with WHO-PQ certification and adopt effective product lifecycle management strategies to maintain and improve the leading position of each product in market segments.

The Group will continue to adopt the strategy of generic and innovative drug integration to combine technology licenses with industry-university-research cooperation, and increase its R&D expenditures driven by the cooperation tie of "project plus technology platform". In order to strengthen the global R&D system and capacity building of pharmaceuticals, the Global R&D Center established by the Group at the beginning of 2020 is responsible for the overall management of the Group's innovative R&D projects, and strengthens the capabilities of pre-clinical research and clinical development of drugs centered on China, the United States, and Europe.

In 2020, with patients constantly at the center, clinical needs as the direction and high-tech as the driving force, focusing on therapeutic fields including tumor, central nervous system and rare diseases, the Group will research and develop innovative drugs by transitioning from "me-too, me-better" to "first-in-class, best-in-class", and actively layout in the direction of PCG (protein drug therapy, cell therapy and gene therapy). The Group will accelerate the approval process for pipeline drugs and licensed druges as well as supporting innovation. In 2020, the Group further promote the clinical trials for licensed projects including the cell therapy product targeting post-stroke disability and retinitis pigmentosa and the immunotherapy product targeting recurrent glioblastoma; the Group plans to commence more than 10 overseas clinical projects, including the self-developed SAF-189 which will enter global multi-center clinical trials. Furthermore, the Group will continue to accelerate the docking of its own R&D with the market, promote complementary needs and expedite the cultivation and storage of subsequent strategic products.

The Group will also further expand and intensify its cooperation with leading pharmaceutical companies in the world in order to give full play to the advantages of connecting momentum in China to global resources, making innovations in the cooperation model and searching for new momentum. In 2020, 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.

Medical Devices and Medical Diagnosis

In 2020, 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 business cooperation with overseas companies on the basis of proactive integration. It will also seek investment opportunities in outstanding domestic and foreign medical devices enterprises while targeting precise medical care, so as to achieve growth in the scale of its medical devices business.

In 2020, the Group will continue to develop and introduce products. The introduction of new technology and its localization will promote the accuracy and effectiveness of domestic diagnostic performance for diseases such as infections and tumors. The Group will continue to enhance the development of its 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 local and overseas quality diagnostic companies.

Healthcare Services

In 2020, the Group will continue to seize opportunities from the State's encouragement of investment in medical institutions by social capital and make use of the feature of a platform-type hospital management group to enhance the capability of lean operation. It will also accelerate business development as well as full implementation of performance appraisal mechanisms of diagnosis-related group (DRG) and resource-based relative value scale (RBRVS). It will improve operational modules such as disciplines and talents, quality and safety, care and services, and performance and evaluation, step up its efforts in centralized procurement and information technology development, and integrate internal drugs, devices, diagnosis and other resources to realize cost reduction and efficiency. The Group will continuously increase its investments in the healthcare services segment and expand the scale of our healthcare services business. Meanwhile, the Group will also promote the reconstruction and expansion of Suqian Zhongwu Hospital and Yueyang Guangji Hospital as well as the construction of Chongqing Xingrong Medical Cosmetology Hospital Management Co., Ltd.* (重慶星榮醫美醫院管理有限公司), Xuzhou Women's and Children's Hospital* (徐州婦兒醫院), Shanghai Star-Kids Children's Hospital Co., Ltd.* (上海星晨兒童醫院有限公司) and other projects, and positively seek new opportunities for mergers and acquisitions of healthcare services.

Pharmaceutical Distribution and Retail

In 2020, the Group will continue to facilitate consolidation and rapid development of Sinopharm in its pharmaceutical and medical devices distribution business and the continued expansion of the competitive advantages of Sinopharm in the pharmaceutical and medical devices distribution sector.

Financing

In 2020, the Group will continue to explore the financing channels domestically and internationally, continuously optimize its financing structure and debt structure, lower financial costs and further enhance its core competence, so as to consolidate its leading position in the industry.

D. Financial Needs Required by the Group for Maintaining the Current Operations and Completing Investment Projects under Construction

With the organic growth of the Group and the steady growth in the industry consolidation, the Group expects to invest approximately RMB2,500 million for production capacity expansion, plant relocation and the development of GMP and reconstruction and expansion of hospitals in 2020. Primary sources of funding will include, among others, the Group's own capital, cash flow from operating activities, and proceeds from debt and equity financing.

E. Potential Risks

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

The pharmaceutical industry is one of the industries most affected by national policies in the PRC, involving various government departments, ministries and commissions and institutions such as national medical insurance, health, drug supervision and administration, industrialization and informatization, technology and intellectual property rights. With the intensified efforts in the reform of drug production and manufacturing, medical health and medical protection, the pharmaceutical market environment continues changing significantly, and innovative transformation, industry consolidation and transformation in business models are inevitable. The implementation and promotion of a series of new policies such as reform direction of "Three Medical Linkages", centralized procurement in quantity, rational use of drugs, zero price markups on medicine, medical expense growth control, restriction on adjuvant drugs, price adjustments for medical insurance payments, tendency to innovative medicine with high cost efficiency in the Medical Insurance Catalogue affect the production costs and profitability of the entire pharmaceutical industry, and have brought about a new competitive structure to the industry.

In the field of healthcare services, uncertainties remained in the reforms of public hospitals, which accounted for the mainstay of medical services, and medical institutions under state-owned enterprises. A variety of strategic options for the entry of social forces is required.

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

II. *Market risks*

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

In the field of generic drugs, with the gradually tighter control on medical insurance payments, the advancement of consistency evaluation of generic drugs, and the implementation of centralized procurement of drugs in quantity, the existing situation in the generic drug industry with an excessive number of pharmaceutical manufacturing companies, a fragmented market and low market concentration will change. More and more international pharmaceutical companies are competing through low prices, leading to tougher competitions. It is expected that there will be further concentration in the industry. With the progressing supply-side reforms, the market share and profit margins of generic pharmaceutical products will be subject to further pressure. In the field of innovative drugs, since the market size of generic drugs has been drastically shrunk, numerous generic drugs companies seek transformation. In addition, with China's entry into the ICH (i.e. The International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use) and the domestic drug review and approval system being gradually brought into line with international standards, more and more innovative drugs are being marketed. The internal competition among local innovative pharmaceutical companies has been increasingly fierce, and at the same time, they are also facing competition from international pharmaceutical companies. The drug negotiation catalogue, which mainly targets innovative drugs, tends to be quick in adding newly marketed products, which also posed further restrictions on the pricing of innovative drug products.

In addition, in the Group's overseas markets dominated by the United States, the competition for generic drugs was fierce, the price of which also continued to fall. Meanwhile, drug regulatory agencies implemented increasingly stringent requirements on production quality. These factors constituted unavoidable risks during the deepening of internationalization. In emerging markets such as Africa, more and more Indian generic drug companies have joined the competition, resulting in intensified price pressure on government tenders, as well as increasing risk of competition.

In this regard, the Group will keep abreast of the development trend of the industry, adhere to independent development and introduction as a two-wheel drive, strengthen innovation research and development investment, enrich product lines, optimize product structure, and enhance the efficiency R&D of products under research. At the same time, the Group enhances the benefits from economies of scale, and actively reduces costs and increases productivity for production. For marketing, the Group increases efforts in market development and enhances products coverage, so as to expand market coverage.

III. *Business and operating risks*

(1) *R&D risk of drugs*

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

In this regard, the Group will continue to strictly implement the approval process for new products to improve R&D efficiency, and strengthen the construction of drug registration teams. While supporting innovation, the Group will actively promote the approval of existing products under research and to be introduced with approvals as soon as possible. In addition, the Group will continue to accelerate its efforts to link its R&D with market conditions so that demand and supply will be better matched.

(2) *Control risk of product/service quality*

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

The healthcare services segment may be subject to risks of medical malpractice claims or disputes, including complaints and disputes between doctors and patients arising from surgical errors, medical misdiagnosis and incidents relating to defects of

treatment and diagnostic devices. In the event of serious medical malpractice, relevant compensation and loss may be incurred by the Group, which may in turn affect the operation results, brand and market reputation of the Group's healthcare services segment.

In this regard, the Group will continue to focus on quality and risk management throughout the life cycle of its products, and formulated and implemented quality and safety control mechanisms and pharmacovigilance mechanism at each stage of the production chain from R&D to pulling products off the shelf. Meanwhile, taking lean operations as a means, and on the basis of developing medical service segment, the Group focuses on the construction of disciplines and improving the quality of operations.

(3) *Safety and environmental risks*

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

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

IV. *Management risks*

(1) *Internationalized risks*

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

(2) *Risks arising from acquisitions and reorganizations*

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

V. *Foreign exchange risk*

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

VI. *Force majeure risks*

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

Other Events

1. *Gland Pharma Share Option Incentive Scheme*

The shareholders of the Company (the "**Shareholders**") approved the adoption of the Gland Pharma share option incentive scheme (the "**Gland Pharma Share Option Incentive Scheme**") at the annual general meeting held on 25 June 2019. 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, options with 154,950 underlying Gland Pharma shares 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 shares of Gland Pharma that 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.

As at 31 December 2019, options with 154,650 underlying Gland Pharma shares were accepted by 102 participants, of which 5 participants were subsequently ceased to be employees of the Company and options underlying 3,300 Gland Pharma shares were lapsed. 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[1] (dd-mm-yyyy) Note	Portion of Granted Options	Exercise Period (dd-mm-yyyy) [1]	1 January 2019	Exercised	Lapsed	Cancelled	31 December 2019
Employees of Gland Pharma	27-6-2019	154,950	5,420	26-6-2020	40%	26-6-2020 to 26-6-2029	0	—	(3,300)[3]	(300)[2]	151,350
				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					

Notes:

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

(2) Such 300 options were cancelled because 1 participant did not accept the options.

(3) Such 3,300 options were lapsed because 5 participants ceased to be employees of the Company.

2. *Shareholding Increase Plan of the Controlling Shareholder*

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 of the Company) 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 in July 2018 (i.e. 2,495,060,895 shares). As at 2 July 2019 (after trading hours), the 2018 shareholding increase plan of the controlling shareholder lapsed. From 3 July 2018 to 2 July 2019 (inclusive), Fosun High Tech acquired a total of 23,964,300 shares of the Company (including 1,519,800 A shares and 22,444,500 H shares of the Company) for an aggregate amount of approximately RMB562.87 million, representing approximately 0.96% of the total issued shares of the Company on 3 July 2018.

2019 Shareholding Increase Plan of the Controlling Shareholder

As notified and confirmed by Fosun High Tech in writing on 19 September 2019, 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 of the Company) on the secondary market during the 12-month period from 19 September 2019 (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 pursuant to the 2019 shareholding increase plan shall not in aggregate exceed 2% of the total number of issued shares in the Company as at 19 September 2019 (i.e. 2,562,898,545 shares) (and the aggregated number of shares in the Company acquired in the 12-month period shall not exceed 2% of the total number of the issued shares in the Company). As at the end of the Reporting Period, since the implementation of the 2019 shareholding increase plan of the controlling shareholder, Fosun High Tech had acquired a total of 5,807,500 H shares of the Company for an aggregate amount of approximately RMB121.29 million, representing approximately 0.23% of the total issued shares of the Company as at 19 September 2019.

3. *The Mandate to Issue 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 No. MTN208) and "Notice of Acceptance for Registration" (Zhong Shi Xie Zhu 2018 No. SCP90) on 17 April 2018. The registered amounts for each of the Company's mid-term notes and super short-term commercial papers were RMB5 billion, respectively, which will be effective 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 in January 2019 with an aggregate principal amount of RMB1 billion. The value date of the first tranche of super short-term commercial papers issued is 21 January 2019, with the final coupon rate at 3.73%.

The issuance of the second tranche of super short-term commercial papers for 2019 was completed by the Company on July 2019 with an aggregate principal amount of RMB300 million. The value date of the second super short-term commercial papers issued is 29 July 2019, with the final coupon rate at 3.00%.

The issuance of the third tranche of super short-term commercial papers for 2019 was completed by the Company on October 2019 with an aggregate principal amount of RMB500 million. The value date of the third super short-term commercial papers issued is 14 October 2019, with the final coupon rate at 2.90%.

4. ***Proposed overseas listing of Shanghai Henlius***

The Shareholders approved, among other matters, the resolutions regarding the proposed spin-off and overseas listing of Shanghai Henlius on 27 November 2018. On 5 December 2018, the China Securities Regulatory Commission ("**CSRC**") accepted the application for administrative permission for overseas initial public offering filed by Shanghai Henlius. On 13 December 2018, Shanghai Henlius submitted a listing application (Form A1) to the Hong Kong Stock Exchange through its joint sponsors for the listing of and permission to deal in the H shares of Shanghai Henlius on the Main Board of the Hong Kong Stock Exchange. On 5 July 2019, Shanghai Henlius submitted an updated application for listing (Form A1) to the Hong Kong Stock Exchange through its joint sponsor. On 12 July 2019, Shanghai Henlius received the "Approval for the Issue of Overseas Listed Foreign Shares by Shanghai Henlius Biotech Company Limited (Zheng Jian Xu Ke No. [2015] 1973) (《關於核准上海復宏漢霖生物技術股份有限公司發行境外上市外資股的批復》(證監許可[2015] 1973號))" from the CSRC.

On 25 September 2019, the H shares of Shanghai Henlius were listed and traded on the Hong Kong Stock Exchange; Shanghai Henlius offered a total of 64,695,400 H shares at a price of HK$49.60 per share, and total proceeds raised amounted to approximately HK$3,208.89 million. On 17 October 2019, Shanghai Henlius allotted and issued a total of 4,366,400 H shares upon exercise of over-allotment option at a price of HK$49.60 per share, and total proceeds raised amounted to HK$210.49 million.

5. ***Proposed overseas listing of Gland Pharma limited***

On 30 December 2019, the Shareholders approved, among other things, the resolutions in relation to the proposed spin-off and overseas listing of Gland Pharma. The Company intends to implement the spin-off of Gland Pharma and the listing on The National Stock Exchange of India Ltd. and BSE Ltd. Such proposed spin-off and overseas listing of Gland Pharma will constitute a spin-off within the meaning of Practice Note 15 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Hong Kong Listing Rules**") and will be subject to the approval of the Hong Kong Stock Exchange. As at the date of the announcement, the proposed overseas listing of Gland Pharma limited has yet to be approved by the CSRC, the Hong Kong Stock Exchange and the relevant regulatory authorities in India.

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

1. The Restricted A Share Incentive Scheme II

As (1) the grantees of the restricted A share incentive scheme II of the Company (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.

2. Sell back of "16 Fosun 01" Corporate Bond

On 4 March 2019, the Company made payment of the principal amount and the current interest to the holders who had made valid applications for the sell back of 55,000 "16 Fosun 01" corporate bonds according to the right of adjustment to the coupon rate of "16 Fosun 01" corporate bonds and investors' sell back option as provided in the "Offering Memorandum for 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》). Upon the completion of the sell back, the number of "16 Fosun 01" corporate bonds 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 ANNUAL CG CODE

As a company whose shares listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the Company has strictly complied with its articles of association, relevant laws and regulations, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and 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 complied with all the applicable code provisions contained in the CG Code during the Reporting Period.

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, and the grounds for the board being of the view that such 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, 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. 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.

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 ANNUAL RESULTS BY THE AUDIT COMMITTEE

The Group's annual results for the year ended 31 December 2019 have been reviewed by the Audit Committee of the Company.

FINAL DIVIDEND

The Board proposed a final dividend for the year ended 31 December 2019 (the "**2019 Final Dividend**"), inclusive of tax, amounted to RMB0.39 per share, which is subject to the approval of the Shareholders at the forthcoming annual general meeting (the "**AGM**"). Subject to the approval of the Shareholders at the AGM, the 2019 Final Dividend is expected to be paid to the eligible Shareholders by no later than 31 August 2020.

A circular containing, among other things, further information in respect of the AGM and the proposed distribution of the 2019 Final Dividend will be dispatched to the Shareholders as soon as practicable.

AGM AND PERIOD OF CLOSURE OF REGISTER OF MEMBERS OF H SHARES

The Company will arrange the time for convening the forthcoming AGM as soon as practicable, and the notice of the AGM will be published and dispatched to the Shareholders in a timely manner in accordance with the requirements of the Hong Kong Listing Rules and the articles of association of the Company. Once the date of the AGM is finalized, the Company will publish the period of closure of register of members of H shares of the Company in a separate announcement and in the notice of the AGM.

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

According to the requirements of the PRC Enterprise Income Tax Law effective from 1 January 2008 and the implementation rules thereof and the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders which are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》) (Guo Shui Han [2008] No. 897) issued by the State Administration of Taxation on 6 November 2008, the 2018 Final Dividend payable to the non-resident enterprise shareholders whose names appear on the registers of members of H shares of the Company is subject to a withholding tax at a rate of 10%.

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

According to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (《關於國税發[1993]045號文件廢止後有關個人所得税徵管問題的通知》) (Guo Shui Han [2011] No. 348) issued by the State Administration of Taxation on 28 June 2011 and the Letter on the Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies issued by the Hong Kong Stock Exchange on 4 July 2011, when domestic companies other than foreign-invested enterprises which issue shares in Hong Kong distribute dividends to their shareholders, the individual shareholders in general will be subject to a withholding of individual income tax at a rate of 10%. When the Company distributes the 2019 Final Dividend to the individual holders of H Shares, such dividend will be subject to the withholding of individual income tax at a rate of 10%. However, if otherwise provided by tax laws, relevant tax treaties or notices, the tax will be withheld in accordance with the relevant requirements and tax levy and administration requirements.

The arrangement relating to withholding tax, if any, in respect of the 2019 Final Dividend to be paid by the Company to the investors who invest through the Shanghai Stock Exchange in the H Shares of the Company listed on the Main Board of the Hong Kong Stock Exchange will be finalized with the relevant PRC authorities prior to the payment of the 2019 Final Dividend.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL 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 Annual 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

30 March 2020

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 and Ms. Mu Haining; 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*