FOSUN PHARMA

INNOVATION FOR GOOD HEALTH

上海復星醫藥(集團)股份有限公司

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

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

Stock Code: 02196

ANNUAL REPORT 2019

*For identification purposes only

OUR MISSION

Better health for families worldwide.

OUR VALUE

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


INnovation
INternationalization
4IN
INtegration
INtelligentization

Our Vision

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

Our Mission

Better health for families worldwide.

Contents

Corporate Information

Directors

Executive Directors
Mr. Chen Qiyu (陳啟宇) *(Chairman)*
Mr. Yao Fang (姚方) *(Co-Chairman)*
Mr. Wu Yifang (吳以芳)
(President and Chief Executive Officer)

Non-executive Directors
Mr. Xu Xiaoliang (徐曉亮)[1]
Ms. Mu Haining (沐海寧)
Mr. Wang Qunbin (汪群斌)[2]
Mr. Zhang Xueqing (張學慶)[2]
Mr. Liang Jianfeng (梁劍峰)[1, 3]
Mr. Wang Can (王燦)[4]

Independent Non-executive Directors
Mr. Jiang Xian (江憲)
Dr. Wong Tin Yau Kelvin (黃天祐)
Ms. Li Ling (李玲)[1]
Mr. Tang Guliang (湯谷良)[1]
Mr. Cao Huimin (曹惠民)[2]
Mr. Wai Shiu Kwan Danny (韋少琨)[2]

Supervisors

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

Joint Company Secretaries

Ms. Dong Xiaoxian (董曉嫻)
Ms. Kam Mei Ha Wendy (甘美霞)[5]
Ms. Lo Yee Har Susan (盧綺霞)[6]

Authorized Representatives

Mr. Chen Qiyu (陳啟宇)
Ms. Kam Mei Ha Wendy (甘美霞)[5]
Ms. Lo Yee Har Susan (盧綺霞)[6]

Strategic Committee

Mr. Chen Qiyu (陳啟宇) *(Chairman)*
Mr. Yao Fang (姚方)
Mr. Wu Yifang (吳以芳)
Mr. Xu Xiaoliang (徐曉亮)[1]
Ms. Li Ling (李玲)[1]
Mr. Wang Qunbin (汪群斌)[2]
Mr. Wai Shiu Kwan Danny (韋少琨)[2]

Audit Committee

Mr. Tang Guliang (湯谷良) *(Chairman)*[1]
Mr. Jiang Xian (江憲)
Ms. Mu Haining (沐海寧)[7]
Mr. Cao Huimin (曹惠民)[2]
Mr. Wang Can (王燦)[4]

Nomination Committee

Mr. Jiang Xian (江憲) *(Chairman)*
Ms. Mu Haining (沐海寧)
Ms. Li Ling (李玲)[1]
Mr. Cao Huimin (曹惠民)[2]

Remuneration and Appraisal Committee

Dr. Wong Tin Yau Kelvin (黃天祐) *(Chairman)*
Mr. Chen Qiyu (陳啟宇)
Ms. Mu Haining (沐海寧)
Mr. Jiang Xian (江憲)
Mr. Tang Guliang (湯谷良)[1]
Mr. Cao Huimin (曹惠民)[2]

1 Appointed on 25 June 2019
2 Retired on 25 June 2019
3 Resigned on 17 January 2020
4 Resigned on 21 January 2020
5 Appointed on 17 December 2019
6 Resigned on 17 December 2019
7 Appointed on 21 January 2020

Registered Office

9th Floor, No. 510 Caoyang Road
Putuo District
Shanghai, 200063, China

Principal Place of Business in the PRC

Building A
No. 1289 Yishan Road
Shanghai, 200233, China

Principal Place of Business in Hong Kong

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Legal Advisers in Hong Kong

Reed Smith Richards Butler

Legal Advisers in the PRC

Grandall Law Firm (Shanghai)

Auditors

Ernst & Young

Principal Banks

The Export-Import Bank of China
China Development Bank
The Industrial and Commercial Bank of China
Bank of China
Postal Savings Bank of China
HSBC

Corporate Name

Shanghai Fosun Pharmaceutical (Group) Co., Ltd.

Stock Abbreviation

FOSUN PHARMA

Share Listing

A Share: Shanghai Stock Exchange
Stock Code: 600196
H Share: The Stock Exchange of Hong Kong Limited
Stock Code: 02196

Corporate Information

A Share Registrar and Transfer Office in the PRC

China Securities Depository & Clearing Corporation Limited (CSDCC) Shanghai Branch
China Insurance Building
166 East Lujiazui Road
Pudong District
Shanghai, China

H Share Registrar and Transfer Office in Hong Kong

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong[8]

Corporate Website

http://www.fosunpharma.com

8 Changed from Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong on 11 July 2019

Financial Highlights

	2019 RMB million	2018 RMB million
Operating results		
Revenue	**28,389**	24,714
Gross profit	**16,846**	14,349
Operating profit	**2,303**	2,091
Profit before tax	**4,526**	3,580
Profit for the year attributable to owners of the parent	**3,322**	2,708
Profitability		
Gross margin	**59.34%**	58.06%
Operating profit margin	**8.11%**	8.46%
Net profit margin	**13.19%**	12.22%
Earnings per share (RMB Yuan)		
Earnings per share — basic	**1.30**	1.07
Earnings per share — diluted	**1.30**	1.07
Assets		
Total assets	**76,063**	70,494
Equity attributable to owners of the parent	**31,831**	27,921
Total liabilities	**36,915**	36,959
Cash and bank balances	**9,533**	8,547
Debt-to-asset ratio	**48.53%**	52.43%
Of which: Pharmaceutical manufacturing and R&D segment		
Revenue	**21,609**	18,499
Gross profit	**14,131**	11,977
Segment results	**1,925**	1,785
Segment profit for the year	**2,073**	1,755

Chairman's Statement

Dear Shareholders,

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 prices of generic drugs, continued to decline. At the same time, the research and development of innovative drugs went through a period of relatively 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 layout of healthcare service resources became more reasonable. During the Reporting Period, the Group adhered to its business philosophy of "Innovation for Good Health", focused on its core pharmaceutical and healthcare businesses, continued to innovate products and improve management as well as develop internationally, actively promoted the strategies of organic growth, external expansion and integrated development, thereby maintaining balanced growth of its principal businesses.

Mr. Chen Qiyu
Chairman

2019 REVIEW

The Group focuses on pharmaceutical manufacturing and research and development (R&D), and its businesses cover medical devices and medical diagnosis, healthcare services, pharmaceutical distribution and retail. The Group is a leader in pharmaceutical manufacturing, R&D, medical devices and medical diagnosis. The healthcare services business also took the lead in terms of business development and operation capability among private hospitals. During the Reporting Period, under the guidance of the "4IN (Innovation, Internationalization, Integration and Intelligentization)" Strategy, the Group adhered to the development model of organic growth, external expansion and integrated development and focused on unmet medical needs to continue to enhance the competitiveness of its products and brand as well as the capabilities of innovation, integration and internationalization, to achieve highly efficient operations.

In 2019, the revenue of the Group increased by 14.87% to RMB28,389 million as compared to 2018. Revenue from the pharmaceutical manufacturing and 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. 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. In 2019, net profit and net profit attributable to shareholders of the listed company amounted to RMB3,744 million and RMB3,322 million, respectively, representing a respective increase of 23.96% and 22.66% as compared to 2018. 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.

With innovation and R&D as the core driving factors, the Group focuses on the fields where treatment efficacy is proven and which are in line with the development trend of modern medicine, and adheres to enhancing its R&D capability at the early stage and its industrialization development capability at subsequent stages. During the Reporting Period, the Group continued to increase its R&D expenditures. The total R&D expenditures and R&D expenses for the year amounted to RMB3,463 million and RMB2,041 million, respectively, representing a respective increase of 38.15% and 37.97% year-on-year. The R&D expenditures and R&D expenses in the pharmaceutical manufacturing and R&D segment amounted to RMB3,131 million and RMB1,741 million, respectively, representing a respective increase of 39.12% and 38.72% year-on-year.

During the Reporting Period, 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 Group continued to increase its R&D investment in small molecular innovative drugs, monoclonal antibody biopharmaceutical innovative drugs and biosimilars, CAR-T cell drugs, etc., and actively carried forward the process drug in-licensing and drug registration and the consistency evaluation of generic drugs. As at the end of the Reporting Period, the Group had developed an internationalized R&D structure with relatively strong R&D capabilities through the establishment of interactive and integrated R&D systems in China, the U.S., India and other countries, establishing international R&D platforms in areas such as small molecular innovative drugs, generic drugs with high value, biopharmaceutical drugs and cell therapy. In addition, through strengthening the development and integration of marketing systems, the Group pushed forward the transformation of its marketing model, which highlighted professionalism, branding and digitalization, so as to achieve sustainable market development. At the same time, during the Reporting Period, the medical devices and medical diagnosis segment of the Group continued to accelerate the development of the global market and especially key emerging markets, while further increasing its R&D investment in new products and diversifying its product lines. The healthcare services segment focused on key areas including the Pearl River Delta Greater Bay Area, Yangtze River Delta and Huaihai Economic Zone, forming a strategic layout of healthcare services in specialty and general hospitals. By establishing regional medical centers and a supply chain spanning major health industries, the Group continued to enhance its operating capabilities and profitability.

OUTLOOK

The pharmaceutical and healthcare industry of China has entered into a stage of crucial transformation, presenting both opportunities and challenges. In terms of market demand and payment, three factors are driving the development of the pharmaceutical industry in China, namely, the accelerated aging process in the country, the Government's increasing investment in the pharmaceutical and health industry and the increase in per capita disposable income. Moreover, geriatric diseases, chronic diseases, cancer and autoimmune diseases will continue to evolve 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 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, both in China and abroad, in the sectors of quality pharmaceutical R&D, medical devices, medical diagnosis and healthcare services, so as to facilitate the consolidation of pharmaceutical and medical devices distribution industries of Sinopharm.

In the beginning of 2020, the outbreak of COVID-19 affected overall economic operations. The Group's production and business operations have also been somewhat affected. The Group will continue to pay attention to the progress of the pandemic, and at the same time adopt various measures to mitigate the adverse impact of the pandemic to ensure stable and orderly production and business operations.

The Board of the Company is of the opinion that the Group, as a large pharmaceutical enterprise, 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 operations and invest more resources to support product innovation and market expansion. At the same time, the Group will continue to actively seek mergers and acquisitions opportunities in therapeutic areas with greater unmet needs, to steadily increase the Group's production capabilities and continuously enhance the Group's 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.

I would like to express my sincere gratitude to all Shareholders, members of the Board, the management, employees and business partners of the Group.

Mr. Chen Qiyu
Chairman

30 March 2020

Management Discussion and Analysis

FINANCIAL REVIEW

During the Reporting Period, the audited annual results and the summary of basic financial results prepared by the Group in accordance with HKFRS are as follows:

During the Reporting Period, revenue of the Group amounted to RMB28,389 million, representing an increase of 14.87% as compared to 2018.

During the Reporting Period, the Group recorded profit before tax of RMB4,526 million and profit attributable to owners of the parent of RMB3,322 million, representing an increase of 26.42% and 22.67%, respectively, 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 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 HHH (whose main asset is United Family Hospital) held by the Group during the Reporting Period.

During the Reporting Period, earnings per share of the Group increased by 21.50% to RMB1.30 as compared to 2018.

REVENUE

During the Reporting Period, the revenue of the Group increased by 14.87% to RMB28,389 million as compared to 2018. 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 growth in revenue from foreign countries or regions further increased.

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 and segment profit of the pharmaceutical manufacturing and R&D segment of the Group amounted to RMB1,925 million and RMB2,073 million, respectively, representing an increase of 7.84% and 18.12% as compared to 2018, respectively.

COST OF SALES

During the Reporting Period, cost of sales of the Group increased to RMB11,543 million from RMB10,365 million, representing an increase of 11.37% as compared to 2018.

GROSS PROFIT

Consistent with increased revenue and a smaller increase in cost of sales, during the Reporting Period, gross profit of the Group amounted to RMB16,846 million, representing an increase of 17.40% as compared with RMB14,349 million for 2018. The gross profit margin of the Group for 2019 and 2018 was 59.34% and 58.06%, respectively. This year, the gross profit margin of the Group increased by 1.28 percentage points as compared to 2018.

SELLING AND DISTRIBUTION 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 with RMB8,488 million for 2018, which was mainly due to the intensified efforts to develop new products and new markets of the Group, the preparation of the sales and marketing team 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 setting 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.

R&D EXPENSES AND R&D EXPENDITURE

During the Reporting Period, the total R&D expenditure of the Group amounted to RMB3,463 million, representing an increase of RMB956 million or 38.15% as compared to 2018. In particular, the R&D expenses amounted to RMB2,041 million, representing an increase of RMB561 million or 37.97% as compared to 2018. The R&D expenditure in the pharmaceutical manufacturing and R&D segment amounted to RMB3,131 million, representing an increase of RMB881 million or 39.12% as compared to 2018, representing 14.38% of the revenue of the pharmaceutical manufacturing segment. In particular, R&D expenses amounted to RMB1,741 million, representing an increase of RMB486 million or 38.72% as compared to 2018, representing 8.00% of the revenue of the pharmaceutical manufacturing and R&D segment, mainly due to an increase in R&D expenditures in small molecular innovative drugs, biopharmaceutical innovative drugs and biosimilar, concentrated R&D expenditures in consistency evaluation and an increase in R&D expenditures in innovation incubation platform by the Group during the Reporting Period.

SHARE OF PROFITS OF ASSOCIATES

During the Reporting Period, share of profits of associates of the Group increased to RMB1,496 million, up from RMB1,399 million, representing an increase of 6.93% as compared to 2018.

PROFIT FOR THE YEAR

Due to the above factors, profit for the Reporting Period of the Group increased to RMB3,744 million from RMB3,020 million, representing an increase of 23.96% as compared to 2018. Net profit margin of the Group for 2019 and 2018 was 13.19% and 12.22%, respectively.

PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT

During the Reporting Period, profit for the period attributable to owners of the parent of the Group increased to RMB3,322 million from RMB2,708 million, representing an increase of 22.66% as compared to 2018.

DEBT STRUCTURE, LIQUIDITY AND SOURCES OF FUNDS

Total Debts

As at 31 December 2019, total debts of the Group decreased to RMB21,691 million from RMB23,203 million as at 31 December 2018 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. As at 31 December 2019, mid to long-term debts of the Group accounted for 59.87% of its total debts, representing an increase of 5.26 percentage points as compared with 54.61% as at 31 December 2018. As at 31 December 2019, cash and bank balances increased to RMB9,533 million from RMB8,547 million as at 31 December 2018, representing an increase of 11.54% as compared to 2018.

As at 31 December 2019, an equivalent amount of RMB8,710 million (31 December 2018: RMB11,186 million) out of the total debts of the Group was denominated in foreign currencies, and the remainder was denominated in RMB.

As at 31 December 2019, cash and bank balances of the Group denominated in foreign currencies amounted to RMB4,396 million (31 December 2018: RMB2,042 million).

Unit: million Currency: RMB

Cash and bank balances denominated in:	31 December 2019	31 December 2018
RMB	5,137	6,506
US dollars	2,244	1,306
HK dollars	1,055	23
Others	1,097	712
Total	9,533	8,547

Gearing Ratio

As at 31 December 2019, the gearing ratio, calculated as total interest-bearing bank and other borrowings over total assets, was 28.52%, as compared with 32.91% as at 31 December 2018.

Interest Rate

As at 31 December 2019, total interest-bearing bank and other borrowings at a floating interest rate amounted to RMB12,679 million (31 December 2018: RMB12,889 million).

Maturity Structure of Outstanding Debts

Unit: million Currency: RMB

	31 December 2019	31 December 2018
Within 1 year	8,704	10,533
1 to 2 years	7,016	3,592
2 to 5 years	5,592	8,984
Over 5 years	379	94
Total	21,691	23,203

AVAILABLE FACILITIES

As at 31 December 2019, save for cash and bank balances of RMB9,533 million, the Group had unutilized banking facilities of RMB34,165 million in aggregate. The Group has also entered into cooperation agreements with various major banks (the "Banks") in China. According to such agreements, the Banks have granted the Group general banking facilities to support its capital requirements. The utilization of such bank facilities was subject to the approval of individual projects from the Banks in accordance with banking regulations in China. As at 31 December 2019, total available banking facilities under these arrangements were approximately RMB48,343 million in aggregate, of which RMB14,178 million had been utilized.

Collateral and Pledged Assets

As at 31 December 2019, the Group had placed the following assets as collateral for bank borrowings: property, plant and equipment amounting to RMB134 million (2018: RMB216 million) and prepaid land lease payments amounting to RMB303 million (31 December 2018: RMB30 million).

As at 31 December 2019, the Group had pledged the following for bank borrowings: the entire equity interest in Alma Lasers and Alma Lasers Inc. held by the Group and Pramerica-Fosun China Opportunity Fund L.P. (31 December 2018: the entire equity interest in Alma Lasers and Alma Lasers Inc. were held by the Group and Pramerica-Fosun China Opportunity Fund L.P.). Details of the collateral and pledged assets are set out in note 31 to the financial statements.

Cash Flow

The cash of the Group is mainly used for meeting capital requirements, repaying interest and principal of debts due, paying for purchases and capital expenditures, and funding growth and expansion of facilities and businesses of the Group. The table below shows the cash flow of the Group generated from (or used in) operating activities, investing activities and financing activities for 2019 and 2018.

Unit: million Currency: RMB

	2019	2018
Net cash flows from operating activities	**3,222**	2,950
Net cash flows used in investing activities	**(172)**	(5,245)
Net cash flows from financing activities	**(1,936)**	3,138
Net increase in cash and cash equivalents	**1,109**	825
Cash and cash equivalents at the beginning of the year	**7,175**	6,350
Cash and cash equivalents at the end of the year	**8,284**	7,175

Capital Commitments and Capital Expenditures

During the Reporting Period, capital expenditures of the Group amounted to RMB4,295 million, which mainly consisted of additions to property, plant and equipment, other intangible assets and prepaid land lease payments exclusive of amounts due to new acquisition of subsidiaries. Details of capital expenditures are set out in note 4 to the financial statements.

As at 31 December 2019, the Group's capital commitments contracted but not provided for amounted to RMB3,395 million. These were mainly committed for reconstruction and renewal of plant and machinery as well as new investees. Details of capital commitments are set out in note 41 to the financial statements.

Contingent Liabilities

As at 31 December 2019, the Group did not have any contingent liabilities.

Interest Coverage

In 2019, the interest coverage, which is calculated by EBITDA divided by financial cost was 6.62 times as compared with 6.30 times for 2018. The interest coverage increased mainly due to the impact of the increase in EBITDA of RMB1,265 million as compared to 2018.

RISK MANAGEMENT

Foreign Currency Exposure

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies.

Interest Rate Exposure

It is the Group's strategy to use debts with fixed and floating interest rates to manage its interest costs. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

BUSINESS REVIEW

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

In 2019, the global and PRC economies were still experiencing 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 layout of healthcare service resources became more reasonable. During the Reporting Period, the Group adhered to its business philosophy of "Innovation for Good Health", focused on its core pharmaceutical and healthcare businesses, continued to 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 the 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, respectively. 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, 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 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 the 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 recording 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 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 systems 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 HHH (whose main asset was United Family Hospital) 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-tumor therapeutic 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. The Group also systematically pushed 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 was recognized by the 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, 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 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 30 March 2020, applications were made in respect of 2 products (Dexrazoxane for injection and Zoledronic acid injections) of Gland Pharma for imported drug registration and Import Drug Licenses (IDL); applications had already been made for 4 products (Zoledronic acid concentrated solution for injection, Caspofungin acetate for injection, Irinotecan hydrochloride injections and Tigecycline for injection) of Gland Pharma for imported drug registration and clinical trial (CTA). The Group had 16 products in total 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 (in 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 (in U.S. and Australia)
5	FCN-437	Clinical trial	Phase I	Clinical trial	Phase I (in 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 (in 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		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	Biosimilars	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	—	—

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
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	—	—	—
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 was granted by 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 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 repairdeficient 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 nonsquamous 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	—

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
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	—
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 efficiency 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 cGMP certifications such as the U.S., European Union and WHO into practice. As at the end of the Reporting Period, more than 10 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 Pharma obtained certification from the WHO-PQ; 1 production line for oral solid dosage formulation of 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 List Pharma and the acquisition of 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) the Da Vinci surgical robotic system of Intuitive Fosun, a joint venture, 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 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 a registration approval number. The diagnosis product, Glycotest (liver cancer diagnosis) 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 was United Family Hospital) 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 Hospital, Shenzhen Hengsheng Hospital, Suqian Zhongwu

Hospital, Wenzhou Geriatric Hospital, Yueyang Guangji Hospital, Anhui Jimin Hospital, Wuhan Jihe Hospital, Zhuhai Chancheng Hospital, Huai'an Xinghuai Hospital and 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.

Fosun Healthcare, 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 has 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, 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 systems 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 an 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 reductions 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 reductions 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 costs 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 documents 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 Reporting Period, 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 Hong Kong Stock Exchange, the aggregate proceeds from which 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, has 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 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 setting 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 was 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), as well as the year-on-year decrease of cash paid for external investment during the year of 2019, etc..

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 points
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% year-on-year, 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

(3) *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 2019.

Purchases from the top 5 suppliers of the Group amounted to RMB1,091 million, representing 9.95% of the total purchases for 2019.

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 setting 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 utilization; the Company has sufficient technological, financial and other resources to complete the development of the intangible assets and the ability to make them available for use or sale; and the expenses attributable to such intangible assets can be measured reliably at the development stage. Development expenses not satisfying all 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 and 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 of 2019, 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 interest 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 assets (%)	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 assets	2,455	3.23	—	—	N/A	Mainly due to the rights to use leased assets during the lease term recognized as "right-of-use assets" during the Reporting Period according to the new lease standard
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)
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
Jiangsu 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
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 Pharmaceutical 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 during the Reporting Period.

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	Pharmaceutical investment	Pharmaceutical investment	100	269,844	77,243	424,271	13,781	10,634

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

① *Acquisition of Subsidiaries 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. As at the end of the Reporting Period, Alma Lasers held 60% of the equity in Nova Medical.

On 25 June 2019, Aohong Pharma, a subsidiary of the Group, 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 equity 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 equity 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 equity in List Pharma. As at the end of the Reporting Period, Aohong Pharma held approximately 99.245% of the equity 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), 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, a subsidiary of the Group, acquired 100% of the equity of 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 *Disposals of subsidiaries in 2019:*

On 11 January 2019, the deregistration of a subsidiary, namely Nanjing Junxing, was completed.

On 17 January 2019, the deregistration of a subsidiary, namely Shandong Yixing, was completed.

On 25 January 2019, the deregistration of a subsidiary, namely 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 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, Tianjin Qianda, 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 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, was completed.

On 25 July 2019, the deregistration of a subsidiary, namely Fudi Medical, was completed.

On 31 August 2019, the deregistration of a subsidiary, namely Henlix, was completed.

On 30 September 2019, the deregistration of a subsidiary, namely Meistar, was completed.

On 22 October 2019, the deregistration of a subsidiary, namely Guilin Afrique, was completed.

On 11 November 2019, Erye Pharma, a subsidiary of the Group, entered into an Equity Transfer Agreement with Tian Liangfa (田良發), pursuant to which Erye Pharma transferred its 100% equity interest in 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 of the Group, entered into the Equity Transfer Agreement with Deng Jinping (鄧金平), pursuant to which List Pharma transferred its 100% equity interest in 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 has entered 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 population 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 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 pharmaceutical 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 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 resulted in the industry being 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 the industry. The investigation of 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 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 adheres 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 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 is adopting 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 a profit forecast and performance guarantee of the Group for 2020. The achievement of the objectives is subject to various internal and external factors that carry uncertainty. Investors should be aware of investment risks.

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 in 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 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 drugs as well as supporting innovation. In 2020, the Group will further promote 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 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 to change 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 (The International Council for Harmonization 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 making both independent development and introduction as driving forces, 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 to unpredictable factors. In addition, if the R&D progress and direction of the drugs do not match future market demand, or if the sales of the new drugs are not sufficient due to intensified competition and other factors, the recovery of the initial investment and the realization of economic benefits may be affected, which will in turn adversely affect on the profitability and development of the Group.

In this regard, the Group will continue to strictly implement the 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 bulk drugs, 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 with relevant environmental protection laws, regulations and standards for its waste treatment and emission of residue, waste gas and waste liquid, the environmental protection costs incurred by the Group may increase in light of the enhanced social awareness on environmental protection over time, and the potential implementation of more stringent environmental protection laws and regulations by central and local government.

In this regard, the Group strengthens production safety management, focuses on staff training, implements relevant safety production measures, and reasonably controls risks. Meanwhile, the Company will continuously attach importance to fulfilling its social responsibility for environmental protection, adhere to the principle that 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 overseas markets, differences 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. Following successful acquisitions, the requirements for 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. Shareholding Increase Plan of the Controlling Shareholder

2018 Shareholding Increase Plan of the Controlling Shareholder

As notified and confirmed by 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.

2. 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 super short-term commercial papers by issuing the "Notice of Acceptance for Registration" (Zhong Shi Xie Zhu 2018 No. SCP90) on 17 April 2018. The registered amounts for the Company's super short-term commercial papers was RMB5 billion, which will be effective for 2 years commencing from the date of issuance of the relevant notice. 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%.

3. 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 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 (《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覆》)" 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.

4. Proposed overseas listing of Gland Pharma

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 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.

Five-Year Statistics

Unit: million   Currency: RMB

Year	2015	2016	2017	2018	2019
Operating Results					
Revenue	12,502	14,506	18,362	24,714	**28,389**
Profit for the year	2,871	3,221	3,585	3,020	**3,744**
Profit for the year attributable to owners of the parent	2,460	2,806	3,124	2,708	**3,322**
EBITDA	4,499	4,799	5,585	5,856	**7,121**
Proposed final dividend (in RMB Yuan)	0.32	0.35	0.38	0.32	**0.39**
Earnings per share (in RMB Yuan)					
Earnings per share — basic	1.07	1.21	1.27	1.07	**1.30**
Earnings per share — diluted	1.06	1.20	1.27	1.07	**1.30**
Equity					
Total equity	20,613	25,193	29,685	33,536	**39,147**
Equity attributable to owners of the parent	18,125	22,133	25,270	27,921	**31,831**
Equity per share attributable to owners of the parent	7.83	9.17	10.13	10.89	**12.42**
Debt					
Total debt	10,895	11,710	20,287	23,203	**21,691**
Gearing ratio (%)	28.56%	26.79%	32.77%	32.91%	**28.52%**
Interest coverage (times)	9.57	9.83	9.66	6.30	**6.62**
Assets					
Cash and bank balances	4,029	5,996	7,249	8,547	**9,533**
Property, plant and equipment	5,778	6,325	8,353	9,218	**10,721**
Prepaid land lease payments *(Note 1)*	1,042	1,030	1,324	1,523	**—**
Right-of-use asset *(Note 2)*	—	—	—	—	**2,455**
Investments in joint ventures	225	248	647	447	**381**
Investments in associates	13,638	15,870	17,747	20,924	**20,492**
Available-for-sale investments	3,314	2,674	2,673	—	**—**
Equity investments at fair value through profit or loss	34	48	219	—	**—**
Financial assets at fair value through profit or loss — non-current	—	—	—	2,506	**1,983**
Financial assets at fair value through profit or loss — current	—	—	—	616	**457**
Equity investments designated at fair value through other comprehensive income	—	—	—	126	**108**
Segment net profit					
Pharmaceutical manufacturing and R&D	1,238	1,640	1,838	1,755	**2,073**
Medical diagnosis and medical devices	272	323	387	440	**495**
Healthcare service	76	149	223	209	**1,559**
Pharmaceutical distribution and retail	1,037	1,284	1,416	1,515	**1,634**

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

Note 1: Under the new lease standard implemented by the Group during the Reporting Period, the term "prepaid land lease payments" is no longer applicable.

Note 2: Under the new lease standard implemented by the Group during the Reporting Period, the rights to use leased assets during the lease term are recognized and accounted for under this item.

Report
of the Directors

The Directors are pleased to present their 2019 report and the audited consolidated financial statements of the Company for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Group focuses on pharmaceutical manufacturing and research and development (R&D), and its businesses cover medical devices and medical diagnosis, healthcare services, pharmaceutical distribution and retail.

Details of the principal activities of the Group's principal subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2019 and the state of affairs of the Group at that date are set out in the financial statements and the accompanying notes on pages 103 to 240.

The Board has proposed a final dividend of RMB0.39 per share, inclusive of tax, for the year ended 31 December 2019 (the "2019 Final Dividend"), which will be subject to the approval by the Shareholders at the forthcoming AGM.

The Company will dispatch a circular containing, inter alia, further information relating to the proposed distribution of the 2019 Final Dividend and the forthcoming AGM to Shareholders as soon as practicable.

PROFIT DISTRIBUTION PLAN

According to the Articles of Association, the Company may distribute its profit by means of cash, shares or a combination of cash and shares. If the Company satisfies the conditions for cash dividends, priority should be given to profit distribution by means of cash dividends. The Company makes a profit distribution each year in principle, and the Board may propose to distribute interim cash dividends under the circumstances of the Company. Under the circumstances that the profit of the year and the accumulated undistributed profit are both positive, the cash dividends for the year of the Company should not be less than 10% of the distributable profit realized for the year in principle if the Company does not have any major investment plans or incur any significant cash expenses. The specific plan for distribution shall be decided by the Shareholders at the general meeting according to the Company's actual operation status of the year. The Board shall comprehensively take account of the features of the industry where the Company operates, its stage of development, its own business model, and profitability and the factors such as whether there is any significant capital expenditure arrangement in distinguishing the following situations and form different cash dividend distribution proposals:

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

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

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

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

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

According to the requirements of the PRC Enterprise Income Tax Law effective from 1 January 2008 and the implementation rules thereof and the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Shareholders 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稅有關問題的通知》) (Guo Shui Han 2008 No. 897) issued by the State Administration of Taxation on 6 November 2008, the 2019 Final Dividend payable to the non-resident enterprise Shareholders whose names appear on the registers of members of H Shares 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 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (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.

AGM AND CLOSURE OF REGISTER OF MEMBERS OF H SHARES

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

SUMMARY FINANCIAL INFORMATION

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

ISSUED CAPITAL

Details of movements in the Company's share capital during the Reporting Period are set out in note 35 to the financial statements.

SUBSIDIARIES

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

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

(a) The Restricted A Share Incentive Scheme II

As (1) the grantees of the Restricted A Share Incentive Scheme II, namely Mr. Li Chun, Mr. Li Dongjiu, Mr. Shao Ying, Ms. Shi Jiajue, Ms. Zhou Ting, Ms. Yan Jia, Ms. Zhang Ye and Mr. Deng Jie, had resigned from the 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, was unsatisfactory, and he 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 price of RMB10.54 per share for the repurchase. The total consideration for the repurchased shares amounted to RMB1,711,169. Such repurchased Restricted A Shares were cancelled on 29 April 2019.

(b) Repurchase 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 repurchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

DISTRIBUTABLE RESERVES

The amount of the Company's reserves available for distribution as at 31 December 2019, calculated in accordance with PRC rules and regulations, was RMB8,179 million.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the total purchases attributable to the Group's 5 largest suppliers were less than 30%, and the total turnover attributable to the Group's five largest customers was less than 30%.

DIRECTORS

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

Executive Directors

Mr. Chen Qiyu (陳啟宇) *(Chairman)*
Mr. Yao Fang (姚方) *(Co-Chairman)*
Mr. Wu Yifang (吳以芳) *(President and Chief Executive Officer)*

Non-executive Directors

Mr. Xu Xiaoliang (徐曉亮)
Ms. Mu Haining (沐海寧)
Mr. Liang Jianfeng (梁劍峰)*(Note 1)*
Mr. Wang Can (王燦)*(Note 2)*

Independent non-executive Directors

Mr. Jiang Xian (江憲)
Dr. Wong Tin Yau Kelvin (黃天祐)
Ms. Li Ling (李玲)
Mr. Tang Guliang (湯谷良)

During the Reporting Period, a new session of the Board was elected. At the Annual General Meeting held on 25 June 2019, Mr. Chen Qiyu, Mr. Yao Fang and Mr. Wu Yifang were re-elected as executive Directors of the eighth session of the Board; Mr. Wang Can and Ms. Mu Haining were re-elected as non-executive Directors of the eighth session of the Board, and Mr. Xu Xiaoliang and Mr. Liang Jianfeng were elected as non-executive Directors of the eighth session of the Board; and Mr. Jiang Xian and Dr. Wong Tin Yau Kelvin were re-elected as independent non-executive Directors of the eighth session of the Board, and Ms. Li Ling and Mr. Tang Guliang were elected as independent non-executive Directors of the eighth session of the Board by the Shareholders. On 25 June 2019, Mr. Wang Qunbin and Mr. Zhang Xueqing retired as non-executive Directors, and Mr. Cao Huimin and Mr. Wai Shiu Kwan Danny retired as independent non-executive Directors.

Note 1: Mr. Liang Jianfeng resigned as a non-executive Director on 17 January 2020.

Note 2: Mr. Wang Can resigned as a non-executive Director on 21 January 2020.

SUPERVISORS

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

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

During the Reporting Period, a new session of the Supervisory Committee had been elected. Ms. Ren Qian was re-elected by the employee congress of the Company held on 10 May 2019 to hold the position of staff Supervisor for the eighth session of the Supervisory Committee, and was re-elected at a meeting of the Supervisory Committee held on 25 June 2019 as the chairman of the Supervisory Committee. At the Annual General Meeting held on 25 June 2019, Mr. Cao Genxing and Mr. Guan Yimin were re-elected by the Shareholders as Supervisors of the eighth session of the Supervisory Committee.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors, Supervisors and the senior management of the Company are set out on pages 89 to 97 of this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into a service contract with the Company for a term of no more than three years until the conclusion of the annual general meeting of the Company, at which members of the next session of the Board and Supervisory Committee will be elected. None of the Directors and Supervisors has an unexpired service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

For the year ended 31 December 2019, the remuneration, including salaries, allowances and benefits in kind, performance-related bonuses, pension scheme contribution and the shares awarded under the Restricted A Share Incentive Scheme II, of the Company's senior management (excluding joint company secretaries Ms. Lo Yee Har Susan and Ms. Kam Mei Ha Wendy[Note]) whose profiles are included in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this annual report fell within the following bands:

Note: Ms. Lo Yee Har Susan resigned as a joint company secretary on 17 December 2019, while Ms. Kam Mei Ha Wendy was appointed as a joint company secretary on 17 December 2019.

Remuneration bands	Number of individuals
RMB Nil to RMB2,000,000	2
RMB2,000,001 to RMB4,000,000	10
RMB4,000,001 to RMB6,000,000	1
RMB6,000,001 to RMB8,000,000	2
RMB8,000,001 to RMB10,000,000	1

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or its subsidiaries was a party subsisted at the end of the Reporting Period or at any time during the Reporting Period in which a Director or Supervisor had a material interest.

PENSION SCHEME

The full-time employees of the Group are covered by various government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. The Group contributes a percentage of the employees' salaries (subject to maximum caps) to these retirement benefit schemes on a monthly basis. Under these schemes, the Group has no legal obligation for retirement benefits beyond the contributions made. Contributions to these schemes are expensed as incurred. The Group's pension cost charged to the income statement for the Reporting Period was RMB270.9 million.

MANAGEMENT CONTRACT

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

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 2019, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which should be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise should be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

(1) Long positions in the Shares, underlying Shares and debentures of the Company

Name of Directors/chief executive	Capacity	Class of Shares	Number of Shares[1]	Approximate percentage of Shares in relevant class of Shares
Mr. Chen Qiyu	Beneficial owner	A Share	114,075(L)	0.01%
Mr. Yao Fang	Beneficial owner	A Share	781,000(L)	0.04%
Mr. Wu Yifang	Beneficial owner	H Share	342,000(L)	0.06%
	Beneficial owner	A Share	718,900(L)	0.04%

Note:

(1) (L) — Long position

(2) Long positions in the shares, underlying shares and debentures of the Company's associated corporations (within the meaning of Part XV of the SFO)

Name of Directors/ chief executive	Name of associated corporations	Class of shares	Capacity	Number of Shares[1]	Approximate percentage of Shares in issue
Mr. Chen Qiyu	Fosun International	Ordinary share	Beneficial owner	17,418,000(L)	0.20%
	Fosun Tourism	Ordinary share	Beneficial owner	1,478(L)	0.00%
Mr. Xu Xiaoliang[2]	Fosun International	Ordinary share	Beneficial owner	14,985,000(L)	0.18%
	Fosun Tourism	Ordinary share	Beneficial owner	2,328(L)	0.00%
Ms. Mu Haining	Fosun International	Ordinary share	Beneficial owner	3,638,000(L)	0.04%
Mr. Liang Jianfeng[3]	Fosun International	Ordinary share	Beneficial owner	3,255,000(L)	0.04%
Mr. Wang Can[4]	Fosun International	Ordinary share	Beneficial owner	10,035,000(L)	0.12%
	Fosun Tourism	Ordinary share	Beneficial owner	829(L)	0.00%

Notes:

(1) (L) — Long position

(2) Mr. Xu Xiaoliang was appointed as a non-executive Director on 25 June 2019.

(3) Mr. Liang Jianfeng was appointed as a non-executive Director on 25 June 2019 and resigned as a non-executive Director on 17 January 2020.

(4) Mr. Wang Can resigned as a non-executive Director on 21 January 2020.

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

As at 31 December 2019, so far as is known to the Directors and Supervisors, the persons or entities, other than the Directors, Supervisors or chief executive of the Company, who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name of Shareholders	Nature of Interest	Class of Shares	Number of Shares[(1]	Approximate percentage of Shares in relevant class of Shares
Fosun High Tech	Beneficial owner	H Share	38,241,000(L)[(2)]	6.93%
	Beneficial owner	A Share	938,095,290(L)[(2)]	46.65%
Fosun International	Interest of a controlled corporation	H Share	38,241,000(L)[(2)]	6.93%
	Interest of a controlled corporation	A Share	938,095,290(L)[(2)]	46.65%
Fosun Holdings	Interest of a controlled corporation	H Share	38,241,000(L)[(2)]	6.93%
	Interest of a controlled corporation	A Share	938,095,290(L)[(2)]	46.65%
Fosun International Holdings	Interest of a controlled corporation	H Share	38,241,000(L)[(2)]	6.93%
	Interest of a controlled corporation	A Share	938,095,290(L)[(2)]	46.65%
Mr. Guo Guangchang	Interest of a controlled corporation	H Share	38,241,000(L)[(2)]	6.93%
	Interest of a controlled corporation	A Share	938,095,290(L)[(2)]	46.65%
	Beneficial owner	A Share	114,075(L)	0.01%
Wellington Management Group LLP	Investment manager	H Share	32,412,638(L)	5.87%
			2,687,930(S)	0.49%
EARNEST Partners, LLC	Investment manager	H Share	27,851,538(L)	5.05%
Edinburgh Partners Limited	Investment manager	H Share	38,723,000(L)	7.02%

Notes:

(1) (L) — Long position; (S) — Short position

(2) These Shares are held by Fosun High Tech. Fosun High Tech is wholly owned by Fosun International, which in turn is owned as to 70.80% by Fosun Holdings, and Fosun Holdings is wholly owned by Fosun International Holdings. As Fosun International Holdings is owned as to 85.29% by Mr. Guo Guangchang, Fosun International, Fosun Holdings, Fosun International Holdings and Mr. Guo Guangchang are deemed to be interested in these Shares.

PERMITTED INDEMNITY

At no time during the year ended 31 December 2019 and up to the date of this annual report, was there, any permitted indemnity provision in force for the benefit of any of the Directors and the Supervisors (whether made by the Company or otherwise) or any directors and supervisors of an associated company (if made by the Company). The Company has arranged appropriate Directors', Supervisors' and senior management's liability insurance coverage for the Directors, Supervisors and senior management.

SHARE INCENTIVE SCHEMES

Gland Pharma Share Option Incentive Scheme

The Shareholders approved the adoption of the Gland Pharma Share Option Incentive Scheme at the Annual General Meeting held on 25 June 2019. The summary of the principal terms of the Gland Pharma Share Option Incentive Scheme is as follows:

(1) Purpose

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

(2) Participants

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

(3) Maximum number of shares subject to options

Subject to the provisions of the Gland Pharma Share Option Incentive Scheme, 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 Gland Pharma shares representing 1.1% of the total number of issued Gland Pharma shares as at the adoption date 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.

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

(4) Vesting of options

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

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

(5) Exercise price and its basis of determination

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

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

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

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

(7) Changes in options

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

As at 31 December 2019, options with 154,650 underlying Gland Pharma shares were accepted by 102 participants, of which 5 participants subsequently ceased to be employees of Gland Pharma and options underlying 3,300 Gland Pharma shares lapsed.

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

Participants	Date of Grant (dd-mm-yyyy)	Options Granted	Exercise Price Per Share (INR)	Vesting Date (dd-mm-yyyy) (1)	Portion of Granted Options	Exercise Period (dd-mm-yyyy) (1)	Number of Options 1 January 2019	Exercised	Lapsed	Cancelled	31 December 2019
Employees of Gland Pharma	27-6-2019	154,950	5,420	26-6-2020 31-3-2021 31-3-2022	40%	26-6-2020 to 26-6-2029 31-3-2021 to 26-6-2029 31-3-2022 to 26-6-2029	0	—	(3,300)[3]	(300)[2]	151,350
				31-3-2021 31-3-2022	30%	31-3-2021 to 26-6-2029 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 lapsed because 5 participants ceased to be employees of Gland Pharma.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge of the Directors, as at the date of this annual report, the Company has been maintaining sufficient public float as required by the Hong Kong Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or applicable laws of the PRC where the Company is incorporated.

DONATIONS

During the Reporting Period, the Group made donations of approximately RMB15 million.

CONNECTED TRANSACTIONS

During the Reporting Period, the Company has entered into the following transactions with connected persons (as defined in the Hong Kong Listing Rules):

(A) Non-exempt Connected Transactions

(i) As disclosed in the announcements of the Company dated 24 January 2019 and 22 March 2019 and the circular dated 1 February 2019, on 24 January 2019, Fosun Industrial Pte, the continuing shareholders (which comprises, and when used hereinafter refers to, the family members of Dr. P. Ravindranath and the companies and trusts controlled and managed thereby, similarly hereinafter) and Gland Pharma entered into the amendment no. 1 to the amended and restated shareholders agreement ("Amendment No. 1") in relation to proposed amendments to the terms and conditions of the original put option granted to the continuing shareholders. Pursuant to the Amendment No. 1, Fosun Industrial Pte has agreed to grant the amended put option to the continuing shareholders, where the continuing shareholders shall have the right to exercise the amended put option ("Amended Put Option") within 1 year after the expiration of the initial waiting period to require Fosun Industrial Pte (or its designated party) to acquire the put shares at fair market value. If Gland Pharma completes the initial public offering within the initial waiting period, the Amended Put Option shall automatically lapse. Prior to the expiration of the initial waiting period, Fosun Industrial Pte shall have the right to decide whether to grant another option to the continuing shareholders, pursuant to which the continuing shareholders would have the right to exercise such option within 1 year after the expiration of the second waiting period to require Fosun Industrial Pte to acquire the put shares at fair market value in the event that Gland Pharma fails to complete the initial public offering within the second waiting period. The Amended Put Option shall lapse if another option is granted. If Gland Pharma completes the initial public offering within the second waiting period, such further option granted shall automatically lapse. If the continuing shareholders exercise the put option under the Amendment No. 1, then the shareholders holding a total of 600,000 shares in Gland Pharma shall have the right to sell their shares under the tag-along rights in accordance with their tag-along agreements with the continuing shareholders. The continuing shareholders have not yet exercised the Amended Put Option.

Gland Pharma is an indirect subsidiary owned as to approximately 74% by the Company through its subsidiaries. The continuing shareholders are substantial shareholders of Gland Pharma, and constitute connected persons of the Company at the subsidiary level under Rule 14A.06(9) of the Hong Kong Listing Rules. Therefore, the transactions contemplated under the Amendment No. 1 constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

The enterprise value used to determine the fair market value of the relevant shares under the Amended Put Option shall not be (i) less than 16 times of the EBITDA of Gland Pharma for 2018; and (ii) more than 20 times of the EBITDA of Gland Pharma for 2018; provided that, in any circumstances whatsoever, the aggregate consideration payable by Fosun Industrial Pte for acquiring the relevant shares under the Amended Put Option shall not exceed US$470 million.

(ii) As disclosed in the announcement of the Company dated 25 March 2019, on 25 March 2019, the Company entered into a capital increase agreement with SFHIH to contribute an aggregate amount of RMB500 million for the capital increase of Futuo Biotech in proportion to their respective shareholdings in Futuo Biotech (the "Futuo Capital Increase"). In particular, the Company agreed to contribute RMB255 million and SFHIH agreed to contribute RMB245 million to subscribe for additional registered capital of Futuo Biotech in the amount of RMB255 million and RMB245 million, respectively. The industrial and commercial registration of the Futuo Capital Increase was completed on 27 March 2019.

As SFHIH is a subsidiary of Fosun High Tech, the controlling shareholder of the Company, SFHIH constitutes an associate of Fosun High Tech and hence a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the Futuo Capital Increase constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

(iii) As disclosed in the announcement of the Company dated 26 August 2019, on 26 August 2019, the Company and SFHIH entered into an investment agreement in relation to the establishment of a joint venture company ("Investment Agreement"). The registered capital of the joint venture company was RMB10 million, of which the Company agreed to make a cash contribution in the amount of RMB6 million, representing 60% of the equity interest in the joint venture company, and SFHIH agreed to make cash contribution in the amount of RMB4 million, representing 40% of the equity interest in the joint venture company. The industrial and commercial registration of the joint venture company was completed on 12 September 2019.

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

(iv) As disclosed in the announcement of the Company dated 30 September 2019, on 30 September 2019, Ample Up (an wholly-owed subsidiary of the Company) and Magnificent View entered into a share purchase agreement ("Share Purchase Agreement"), pursuant to which Magnificent View agreed to sell and Ample Up agreed to purchase 96,976,000 shares of Sisram Medical held by Magnificent View, representing approximately 21.93% of the total issued shares of Sisram Medical as at 30 September 2019, at a purchase price of HK$4.02 per sale share, for a total consideration of approximately HK$390 million. Upon completion of the transaction contemplated under the Share Purchase Agreement on 25 March 2020, the Group held an aggregate of 330,558,800 shares of Sisram Medical, representing approximately 74.76% of the total issued shares of Sisram Medical as at 30 September 2019. The purchase of the shares of Sisram Medical was completed on 25 March 2020.

As Magnificent View is an associate of Fosun International, the controlling shareholder of the Company, Magnificent View, therefore, constitutes a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transaction contemplated under the Share Purchase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

(v) As disclosed in the announcement of the Company dated 1 November 2019, on 1 November 2019, Foshan Chancheng Hospital (a subsidiary of the Company), Youle Information and Shenzhen Fosun Health entered into a capital increase agreement ("Capital Increase Agreement"), pursuant to which Foshan Chancheng Hospital agreed to contribute RMB10.408 million to subscribe for an additional registered capital of RMB10.408 million of Shenzhen Fosun Health. Upon completion of the transactions under the Capital Increase Agreement, Foshan Chancheng Hospital and Youle Information will hold 51% and 49% shareholdings in Shenzhen Fosun Health, respectively, and Shenzhen Fosun Health will become a subsidiary of the Group. The industrial and commercial registration of the Shenzhen Fosun Health Capital Increase has not been completed yet.

As Shenzhen Fosun Health is a wholly-owned subsidiary of Youle Information, and Youle Information is an associate of Mr. Guo Guangchang, one of the controlling shareholders of the Company, Youle Information and Shenzhen Fosun Health constitute connected persons of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transaction contemplated the Capital Increase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

(B) Non-exempt Continuing Connected Transactions

(i) As disclosed in the announcement of the Company dated 5 July 2019, on 5 July 2019, the Company and Fosun International entered into framework tenancy agreements, which include a lessee framework agreement and a lessor framework agreement ("Tenancy Framework Agreements"). The lessee framework agreement was entered into in relation to the lease of the relevant premises owned by Fosun International and/or its associates to the relevant members of the Group, as tenant, for a term of 1 year commencing from 1 January 2019 to 31 December 2019. The lessor framework agreement was entered into in relation to the lease of the relevant premises of the Group by the relevant members of the Group, as landlord, to Fosun International and/or its associates for a term of 1 year commencing from 1 January 2019 to 31 December 2019.

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

(ii) As disclosed in the announcements of the Company dated 5 July 2019 and 1 August 2019, on 5 July 2019, the Company and Fosun International entered into a mutual supply framework agreement ("Mutual Supply Framework Agreement") in relation to the mutual supply of products and services between the Group and Fosun International Group and/or its associates, for a term of 1 year commencing from 1 January 2019 to 31 December 2019.

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

(iii) As disclosed in the announcements of the Company dated 5 July 2019 and 1 August 2019, on 5 July 2019, the Company and CQ Pharma Holdings entered into the framework sales and purchases agreement (the "Sales and Purchases Framework Agreement") in respect of the supply of sale products and the purchase of procurement products for a term of 1 year commencing from 1 January 2019 to 31 December 2019.

CQ Pharma Holdings is a substantial shareholder of Yao Pharma, an indirect non-wholly-owned subsidiary of the Company, and therefore CQ Pharma Holdings is a connected person of the Company at the subsidiary level under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transactions contemplated under the Sales and Purchases Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

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

As Fosun Finance is a subsidiary of Fosun High Tech, one of the controlling shareholders of the Company, Fosun Finance is a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transactions contemplated under the Renewed Financial Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Hong Kong Listing Rules.

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

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

Certain details of the continuing connected transactions during the year ended 31 December 2019 are summarized in the table below. The Company has complied and will continue to comply with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules in respect of the continuing connected transactions, including, among others, conducting annual review of the continuing connected transactions.

Connected persons	**Type of the Transaction**	**Actual amount of Transaction 2019** RMB	**Annual cap for the Transaction 2019** RMB
Fosun International and its associates *(Note 1)*	Leasing of premises and provision of property management services by Fosun International and its associates to the Group.	12,997,196	40,000,000
	Leasing of premises by the Group to Fosun International and its associates.	14,990,242	25,000,000
	Provision of services by Fosun International and its associates to the Group.	4,080,528	5,500,000
	Purchase of products by the Group from Fosun International and its associates.	1,455,201	8,000,000
	Provision of services by the Group to Fosun International and its associates.	4,613,908	12,000,000
		38,137,075	**90,500,000** *(Note 2)*

Note 1: The associates of Fosun International include Fosun High Tech, Shanghai New Shihua Investment and Management Co., Ltd.*(上海新施華投資管理有限公司), Beijing Golte Property Management Co., Ltd.*(北京高地物業管理有限公司), Shanghai Golte Property Management Co., Ltd.*(上海高地物業管理有限公司), Liangfu Credit Investigation Management Co., Ltd.*(量富征信管理有限公司), Shanghai Yunji, Shanghai Xingyi Health Management Co., Ltd.*(上海星益健康管理有限公司), Shanghai Fuheng Insurance Broker Co., Ltd*(上海復衡保險經紀有限公司), Shanghai Fosun Venture Capital Investment Management Co., Ltd.*(上海復星創業投資管理有限公司), Zhangxingbao (Shanghai) Network Technology Co., Ltd.*(掌星寶(上海)網絡科技有限公司), Chuangfu Financial Lease Co., Ltd.*(創富融資租賃(上海)有限公司), Shanghai Xingxin Investment Management Co., Ltd.*(上海星鑫投資管理有限公司), Shanghai Pingao Investment Management Co.,Ltd.*(上海平奧投資管理有限公司), Shanghai Fosun Zhijian Information Technology Co., Ltd.*(上海復星智健信息科技有限公司), Shanghai Xingmai Information Technology Co., Ltd.*(上海杏脉信息科技有限公司), Fosun Medical Holdings AB and its subsidiaries, Futuo Biotech and its subsidiaries, Zhuorui Outpatient, Shanghai Qinmiao technology Co., Ltd.*(上海親苗科技有限公司) and Zhejiang Fuyi Cosmetics Co., Ltd*(浙江復逸化妝品有限公司).

Note 2: According to the announcements of the Company dated 5 July 2019 and 1 August 2019, the Transactions in respect of leasing of premises and property management services between the Group and its associates are similar in nature and were entered into with the same party, being associate of Mr. Guo Guangchang, the controlling shareholder of the Company, they are aggregated for the purpose of classification of connected transactions in accordance with Rule 14A.81 of the Hong Kong Listing Rules. The aggregate amount of annual cap is RMB90,500,000.

Connected persons	Type of the Transaction		Actual amount of Transaction 2019 RMB	Annual cap for the Transaction 2019 RMB
Fosun Finance	Provision of financial services by Fosun Finance to the Group:			
	(a)	Maximum daily outstanding balance of loans granted by Fosun Finance to the Group	300,000,000	1,000,000,000 *(Note 3)*
	(b)	Maximum daily outstanding balance of deposits placed by the Group with Fosun Finance	979,534,576	1,000,000,000 *(Note 3)*
	(c)	Fees and charges paid by the Group to Fosun Finance for settlement services and other financial services	—	1,000,000 *(Note 3)*

Note 3: The annual cap for the year ended 31 December 2019 for the Transactions in respect of above from its connected persons are set out in the Company's announcement dated 17 October 2016.

Connected persons	Type of the Transaction	Actual amount of Transaction 2019 RMB	Annual cap for the Transaction 2019 RMB
CQ Pharma Holdings	Sales of products by the Group to CQ Pharma Holdings and its subsidiaries	448,804,069	600,000,000 *(Note 4)*
	Purchase of products by the Group from CQ Pharma Holdings and its subsidiaries	5,602,195	10,000,000 *(Note 4)*

Note 4: According to the announcements of the Company dated 5 July 2019 and 1 August 2019, the annual cap for the Transactions in respect of sales transaction and purchase transaction by the Group to its connected persons (a substantial shareholder of a subsidiary of the Company and its subsidiaries) is RMB600,000,000 and RMB10,000,000, respectively.

The Board (including independent non-executive Directors) has reviewed the continuing connected transactions as described above and confirmed that in 2019, such transactions have been entered into:

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

(ii) on normal commercial terms or better; and

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

The auditors of the Company issued a letter to the Board, which states their opinion on the continuing connected transactions as mentioned above:

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

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

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

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

RELATED PARTY TRANSACTIONS

During the Reporting Period, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of the related party transactions entered into by the Group during the Reporting Period are disclosed in note 42 to the financial statements. Save as disclosed in the paragraph headed "Connected Transactions" in this annual report, the related party transactions disclosed in note 42 were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Hong Kong Listing Rules.

NON-COMPETITION UNDERTAKING

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

SUBSEQUENT EVENTS

Details of significant subsequent events of the Group are set out in note 48 to the financial statements.

THE MODEL CODE AND THE WRITTEN CODE

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

COMPLIANCE WITH THE CG CODE

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

Further information on the corporate governance practices of the Company is set out in the Corporate Governance Report on pages 78 to 88 of this annual report.

AUDIT COMMITTEE

As at the end of the Reporting Period, the Audit Committee of the eighth session of the Board comprised Mr. Tang Guliang (chairman), an independent non-executive Director, Mr. Jiang Xian, an independent non-executive Director, and Mr. Wang Can, a non-executive Director.

During the period between 1 January 2019 and 25 June 2019, the Audit Committee of the seventh session of the Board comprised Mr. Cao Huimin (chairman), an independent non-executive Director, Mr. Jiang Xian, an independent non-executive Director, and Mr. Wang Can, a non-executive Director.

On 25 June 2019, the Company held the 2018 Annual General Meeting, at which the Directors of the eighth session of the Board were elected. The Audit Committee of the eighth session of the Board was elected at the first meeting of the eighth session of the Board, comprising Mr. Tang Guliang, an independent non-executive Director, Mr. Jiang Xian, an independent non-executive Director, and Mr. Wang Can, a non-executive Director, with Mr. Tang Guliang being the chairman of the Audit Committee.

On 21 January 2020, Mr. Wang Can resigned as a non-executive Director and a member of the Audit Committee for family reasons. At the tenth meeting of the eighth session of the Board, the appointment of Ms. Mu Haining, a non-executive Director, as an additional member of the Audit Committee of the eighth session of the Board was approved.

The main duties of the Audit Committee are to review and monitor the financial reporting procedures and internal control system of the Group, and to provide recommendations and advice to the Board.

The Audit Committee of the Company has reviewed the 2019 annual results of the Group.

AUDITORS

The consolidated financial statements of the Group have been audited by Ernst & Young.

A resolution for re-appointing Ernst & Young as the auditors of the Company will be proposed at the forthcoming AGM of the Company.

On Behalf of the Board
Chen Qiyu
Chairman

Shanghai, PRC
30 March 2020

Supervisory Committee Report

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

In 2019, the seventh and eighth sessions of the Supervisory Committee carried out the work diligently, lawfully and efficiently in accordance with the Articles of Association and the Rules of Procedures for the Supervisory Committee's Meeting (監事會議事規則):

Supervisors attended and participated in the discussions of relevant board meetings, and held 5 Supervisory Committee Meetings in 2019. Details are as follows:

1. On 25 March 2019, the Company convened the first meeting of the seventh session of the Supervisory Committee in 2019 (a regular meeting) to review and approve the 2018 Annual Report, the Working Report of the Supervisory Committee for 2018, the Special Report of the Placement and Actual Use of the Proceeds in 2018 and the 2018 Internal Control Self-Assessment Report of the Group, as well as the resolution in relation to candidates of the eighth session of the Supervisory Committee and the resolution in relation to the changes in accounting policies.

2. On 29 April 2019, the Company convened the second meeting of the seventh session of the Supervisory Committee in 2019 (a regular meeting) to review and approve the 2019 First Quarterly Report of the Group.

3. On 25 June 2019, the Company convened the first meeting of the eighth session of the Supervisory Committee in 2019 (a special meeting) to elect the Chairman of the eighth session of the Supervisory Committee.

4. On 26 August 2019, the Company convened the second meeting of the eighth session of the Supervisory Committee in 2019 (a regular meeting) to review and approve the 2019 Interim Report of the Group, the 2019 Interim Internal Control Self-Assessment Report and the Interim Special Report of the Placement and Actual Use of the Proceeds in 2019.

5. On 29 October 2019, the Company convened the third meeting of the eighth session of the Supervisory Committee in 2019 (a regular meeting) to review and approve the 2019 Third Quarterly Report of the Group.

B. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE LAWFUL OPERATION OF THE COMPANY

The Supervisory Committee is of the view that the operation of the Company has been consistent with the provisions of the PRC Company Law, the PRC Securities Law and the Articles of Association; that the decision-making process of the Company has been in compliance with the laws, and the Company has established a relatively comprehensive internal control system; and that the Directors and senior management of the Company, in discharging their duties, have not violated any law, regulation or the Articles of Association, nor have they acted in a way which is prejudicial to the interests of the Company.

C. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE FINANCIAL POSITION OF THE GROUP

The Supervisory Committee agreed with the audit opinion issued by Ernst & Young Hua Ming LLP and Ernst & Young on the 2019 annual financial report of the Group, and that the financial report of the Group has given a true and fair view of the financial position and the operating results of the Group.

D. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE ACQUISITIONS OR DISPOSALS OF ASSETS BY THE GROUP

The Supervisory Committee is of view that the Group acquired and disposed of assets at reasonable prices, and it is not aware of any insider dealing or any act that is prejudicial to the interests of Shareholders or resulting in any loss of assets of the Group.

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

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

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

The Supervisory Committee has reviewed the 2019 Internal Control Self-Assessment Report of the Group, and considers that the Group has established an appropriate internal control system in all material respects and the internal control system has operated efficiently, which ensures the implementation of the internal control measures and the normal conduct of production and operation.

On Behalf of the Supervisory Committee
Ren Qian
Chairman

Shanghai, PRC
30 March 2020

Corporate
Governance Report

The Board hereby presents to the Shareholders the corporate governance report of the Group for the year ended 31 December 2019 (the "Corporate Governance Report").

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

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

Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code and the Written Code throughout the Reporting Period.

No incident of non-compliance of the Written Code by the Directors and relevant employees was noted by the Company.

BOARD OF DIRECTORS

As at the end of the Reporting Period, the Board constituted eleven members, including three executive Directors, four non-executive Directors and four independent non-executive Directors.

The composition of the Board is as follows:

Executive Directors:

Mr. Chen Qiyu *(Chairman)*
Mr. Yao Fang *(Co-Chairman)*
Mr. Wu Yifang *(President and Chief Executive Officer)*

Non-executive Directors:

Mr. Xu Xiaoliang*(Note 1)*
Ms. Mu Haining
Mr. Liang Jianfeng*(Notes 1, 2)*
Mr. Wang Can*(Note 3)*

Independent Non-executive Directors:

Mr. Jiang Xian
Dr. Wong Tin Yau Kelvin
Ms. Li Ling*(Note 1)*
Mr. Tang Guliang*(Note 1)*

Note 1: Mr. Xu Xiaoliang, Mr. Liang Jianfeng, Ms. Li Ling and Mr. Tang Guliang were appointed on 25 June 2019.
Note 2: Mr. Liang Jianfeng resigned on 17 January 2020.
Note 3: Mr. Wang Can resigned on 21 January 2020.

Biographical information of the Directors is set out on pages 89 to 92 of this annual report.

The members of the Board do not have any relationship, including financial, business, family or other material or relevant relationship, with each other.

Chairman of the Board and Chief Executive Officer of the Company

The positions of chairman of the Board (equivalent to the chairman as referred to in the CG Code) and chief executive officer of the Company (equivalent to the chief executive as referred to in the CG Code) are held by Mr. Chen Qiyu and Mr. Wu Yifang, respectively. The chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The chief executive officer focuses on the Company's business development and daily management and operations generally. Their respective responsibilities are clearly defined and set out in writing.

Independent Non-executive Directors

During the Reporting Period, the Board at all times met the requirements of the Hong Kong Listing Rules relating to the appointment of at least three independent non-executive directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise, and the independent non-executive Directors represent over one-third of the Board.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with Rule 3.13 of the Hong Kong Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment, Removal and Re-election of Directors

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

All Directors have full and timely access to all the information of the Company as well as the services and advice from the joint company secretaries and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expense for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves for its decision as to all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Directors, directing and coordinating the daily operation and management of the Company are delegated to the senior management.

Continuous Professional Development of Directors

Directors shall keep abreast of responsibilities as a director of the Company and of the conduct, business activities and developments of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of his/her responsibilities and obligations under the Hong Kong Listing Rules and relevant laws and regulations.

All Directors have participated in a continuous professional development program during the Reporting Period in order to refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expense.

According to the records maintained by the Company, for the year ended 31 December 2019, all Directors received training with an emphasis on the roles, functions and duties as a director of a listed company in compliance with the code provisions relating to continuous professional development under the CG Code. In addition, relevant reading materials including a directors' manual and legal and regulatory updates have been provided to the Directors for their reference and studying. The continuous professional development records of the Directors for the year ended 31 December 2019 is set out in the table on page 84 of this annual report.

BOARD COMMITTEES

As at the end of the Reporting Period, Board has established four committees, namely, Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and Strategic Committee, for overseeing all aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website (http://www.fosunpharma.com) and the Hong Kong Stock Exchange's website (http://www.hkexnews.hk) and are available to Shareholders upon request.

The majority of the members of each specialized Board committee (except the Strategic Committee) are independent non-executive Directors and the list of the chairman and members of each specialized Board committee is set out under "Corporate Information" on page 4 of this annual report.

Audit Committee

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

In 2019, the Audit Committee held 13 meetings to review periodic reports, audit plan, internal controls, major and ongoing related party/connected transactions, and make recommendations to the Group on strengthening the internal control system.

In 2019, the Audit Committee also held 2 meetings with the external auditors without the presence of the executive Directors.

Remuneration and Appraisal Committee

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

In 2019, the Remuneration and Appraisal Committee held 1 meeting to review and make recommendations to the Board on the performance appraisal and remuneration packages of the executive Directors and senior management of the Company during the prior year as well as Gland Pharma Share Option Incentive Scheme.

Nomination Committee

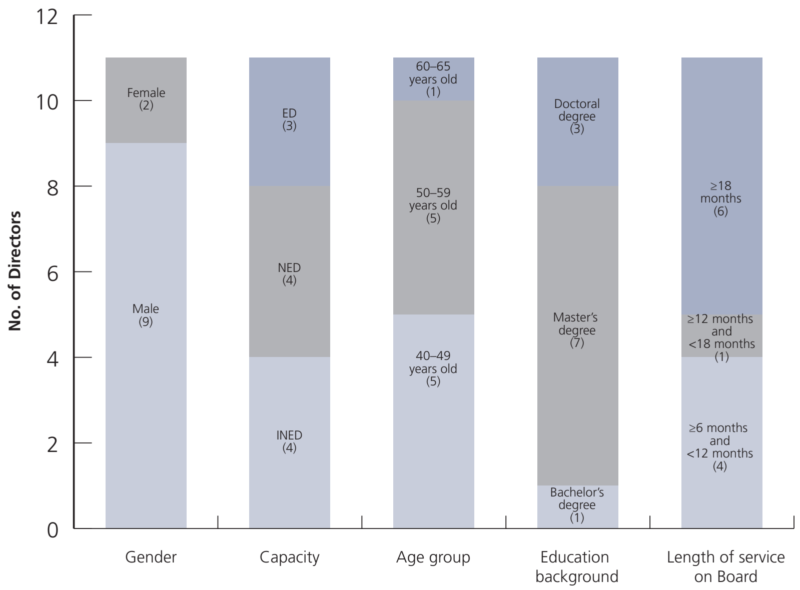
The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors and senior management, making recommendations to the Board on the appointment and succession planning of Directors, assessing the independence of independent non-executive Directors and reviewing the training and continuous professional development of Directors and senior management.

The Board has adopted nomination policy, setting out the standards and procedures for nomination and appointment of directors, to ensure the members of the Board have the skills, knowledge, experience and diversity that meet the Company's requirements and to ensure the continuity of the Board and maintain its leadership, for the nomination of candidates for directorship of the Company by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations.

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

In 2019, the Nomination Committee held 3 meetings to discuss, approve and make recommendations to the Board on matters relating to the selection of senior management of the Company, the independence of independent non-executive Directors and the consideration of candidates for the eighth session of the Board. The Nomination Committee considered an appropriate balance of diversity of the Board had been maintained.

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



Strategic Committee

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

In 2019, the Strategic Committee held one meeting to research and advise on the strategic planning of the Group's medium and long-term development and major investment decision, and review and approve research reports on development strategy.

CORPORATE GOVERNANCE RESPONSIBILITIES

The Board is responsible for performing the functions as set out in code provision D.3.1 of the CG Code to ensure that the Company has established comprehensive corporate governance practices and procedures. During the Reporting Period, the Board:

(1) established and reviewed the corporate governance policies and practices of the Company as well as made relevant recommendations;

(2) reviewed and monitored the training and continuous development of the Directors and senior management;

(3) reviewed and monitored the policies and practices of the Company regarding the compliance of relevant legal and regulatory requirements;

(4) established, reviewed and monitored the code of conduct for Directors and employees; and

(5) reviewed as to whether the Company has complied with the CG Code and made disclosures in the Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board committee meetings of the Company held for the year ended 31 December 2019 is set out in the table below:

	Attendance/Number of Meetings						
Name of Directors	**Board**	**Nomination Committee**	**Remuneration and Appraisal Committee**	**Audit Committee**	**Strategic Committee**	**General Meeting[1]**	**Continuous Professional Development**
Executive Directors							
Mr. Chen Qiyu	17/17		1/1(M)		1/1(C)	6/6	✓
Mr. Yao Fang	17/17				1/1(M)	1/6	✓
Mr. Wu Yifang	17/17				1/1(M)	5/6	✓
Non-executive Directors							
Mr. Xu Xiaoliang	9/9[2]				1/1(M)	0/2	✓
Ms. Mu Haining	17/17	3/3(M)	1/1(M)			0/6	✓
Mr. Wang Can	17/17			13/13(M)		0/6	✓
Mr. Liang Jianfeng	9/9[2]					0/2	✓
Mr. Wang Qunbin	8/8[2]					0/4	✓
Mr. Zhang Xueqing	8/8[2]					0/4	✓
Independent Non-executive Directors							
Mr. Jiang Xian	17/17	3/3(C)	1/1(M)	13/13(M)		4/6	✓
Dr. Wong Tin Yau Kelvin	17/17		1/1(C)			0/6	✓
Ms. Li Ling	9/9	1/1(M)[3]			1/1(M)	1/2	✓
Mr. Tang Guliang	9/9			8/8(C)[4]		0/2	✓
Mr. Cao Huimin	8/8[2]	2/2(M)[3]	1/1(M)	5/5(C)[4]		4/4	✓
Mr. Wai Shiu Kwan Danny	8/8[2]					3/4	✓

Notes:

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

(2) Mr. Wang Qunbin and Mr. Zhang Xueqing ceased to be non-executive Directors from 25 June 2019, while Mr. Cao Huimin and Mr. Wai Shiu Kwan Danny ceased to be independent non-executive Directors from 25 June 2019. Each of them was required to attend a total of 8 Board Meetings during their terms of office from 1 January 2019 to 25 June 2019. Mr. Xu Xiaoliang and Mr. Liang Jianfeng were elected as non-executive Directors on 25 June 2019, while Ms. Li Ling and Mr. Tang Guliang were elected as independent non-executive Directors on 25 June 2019. Each of them was required to attend 9 Board Meetings in total from the time they were elected on 25 June 2019 to 31 December 2019.

(3) Mr. Cao Huimin ceased to be a member of the Nomination Committee from 25 June 2019. He was required to attend a total of 2 meetings of the Nomination Committee during his term of office from 1 January 2019 to 25 June 2019. Ms. Li Ling was elected as a member of the Nomination Committee on 25 June 2019. She was required to attend 1 meeting of the Nomination Committee from the time she was elected on 25 June 2019 to 31 December 2019.

(4) Mr. Cao Huimin no longer performs the relevant responsibilities of the Audit Committee from 25 June 2019. He was required to attend a total of 5 meetings of the Audit Committee from 1 January 2019 to 25 June 2019. Mr. Tang Guliang was elected as the chairman of the Audit Committee on 25 June 2019. He was required to attend 8 meetings of the Audit Committee from the time he was elected on 25 June 2019 to 31 December 2019.

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

During the year ended 31 December 2019, the Company convened a meeting among the chairman and independent non-executive Directors only without the presence of other Directors.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2019. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 98 to 102.

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services for the annual report for the year ended 31 December 2019 amounted to RMB4.7 million. There is no remuneration paid to external auditors in respect of non-audit services.

INTERNAL CONTROL

The Board, particularly the Audit Committee, is responsible for maintaining sound and effective internal control systems in order to safeguard the Group's assets and shareholders' interests, and reviewing and monitoring the effectiveness of the Company's internal control and risk management systems on a regular basis in order to ensure that the internal control and risk management systems in place are adequate. The Company conducts reviews of the effectiveness of the internal control systems on a regular basis in order to ensure that they are able to satisfy and deal with different senarios and the dynamic business environment.

During the Reporting Period, the Board, through the Audit Committee, conducted an annual review of the effectiveness on the internal control system of the Group, including review of the Group's all material controls, including financial operational and compliance controls and risk management functions, as well as review of the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting and financial reporting function.

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

JOINT COMPANY SECRETARIES

Ms. Lo Yee Har Susan ceased to be a joint company secretary and an authorized representative of the Company from 17 December 2019 due to work re-arrangements. Ms. Kam Mei Ha Wendy was appointed as a joint company secretary and an authorized representative of the Company on 17 December 2019.

As at the end of the Reporting Period, Ms. Dong Xiaoxian and Ms. Kam Mei Ha Wendy of Tricor Services Limited, an external service provider, were the joint company secretaries of the Company. The primary contact person for Ms. Kam Mei Ha Wendy is Ms. Dong Xiaoxian, who is a vice president, secretary to the Board and a joint company secretary of the Company.

RIGHTS OF SHAREHOLDERS

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

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

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

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

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

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

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

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

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

(2) Proposals of General Meetings

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

(3) Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company.

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

(4) Primary Contact Persons

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through AGMs and other general meetings. The chairman of the Board and the chairmen of all Board committees (or their delegates) will attend in person at the AGMs to meet with the Shareholders and answer their enquiries.

On 29 April 2019, based on the authorization from the general meeting, the Board passed the resolutions approving the amendments to Articles 21 and 24 of the Articles of Association, respectively. On 25 June 2019, the resolutions approving the amendments to Articles 29, 30, 32, 149, 159, 161, 164 and 212 of the Articles of Association were passed at the general meeting. The updated version of the Articles of Association is available on the Company's website and the Hong Kong Stock Exchange's website.

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

Biographical Details of Directors, Supervisors and Senior Management

DIRECTORS

Mr. Chen Qiyu (陳啟宇), aged 47, is the Company's executive Director and chairman of the Board. Mr. Chen joined the Group in April 1994 and was appointed as a Director in May 2005. Mr. Chen is the chairman of Fosun High Tech, an executive director and a co-chief executive officer of Fosun International (stock code: 00656), a non-executive director and vice chairman of Sinopharm (stock code: 01099), a non-executive director of Babytree Group (stock code: 01761) and a non-executive director and chairman of the board of directors of Shanghai Henlius (stock code: 02696), all of which are companies listed on the Hong Kong Stock Exchange, a director of Beijing Sanyuan Foods Co., Ltd.* (北京三元食品股份有限公司) (stock code: 600429), a company listed on the Shanghai Stock Exchange, and a co-chairman of the board of New Frontier Health Corporation, a company listed on the New York Stock Exchange (stock code: NFH). Mr. Chen was a director of Maxigen Biotech Inc. (stock code: 1783), a company listed on the Taiwan Stock Exchange and a director of Di'an Diagnostics Group Co., Ltd. (迪安診斷技術集團股份有限公司) (stock code: 300244), a company listed on the growth enterprise board of the Shenzhen Stock Exchange. Mr. Chen is also the chairman of China Medical Pharmaceutical Material Association* (中國醫藥物資協會), vice president of China Pharmaceutical Industry Research and Development Association* (中國醫藥創新促進會), honorary chairman and chief supervisor of the Shanghai Biopharmaceutical Industry Association* (上海市生物醫藥行業協會), vice chairman of the Shanghai Society of Genetics* (上海市遺傳學會) and a member of the 13th Shanghai Standing Committee of the Chinese People's Political Consultative Conference. Mr. Chen obtained a bachelor degree in genetics from Fudan University (復旦大學) in July 1993 and an executive master of business administration from China Europe International Business School (中歐國際工商學院) ("CEIBS") in September 2005.

Mr. Yao Fang (姚方), aged 50, is the Company's executive Director and co-chairman of the Board. Mr. Yao joined the Group in April 2010 and was appointed as a Director in June 2010. Mr. Yao is the chief supervisor of Sinopharm (stock code: 01099), a company listed on the Hong Kong Stock Exchange. Prior to joining the Group, from 1993 to 2009, Mr. Yao was successively the assistant general manager of the international business department of Shanghai Wanguo Securities Company Limited* (上海萬國證券有限公司), now known as Shenwan Hongyuan Group Co., Ltd.* (申萬宏源集團股份有限公司), general manager of Shanghai Industrial Assets Management Company Limited* (上海上實資產經營有限公司), general manager of Shanghai Industrial Management (Shanghai) Company Limited* (上實管理(上海)有限公司), managing director of Shanghai Industrial Pharmaceutical Investment Company Limited* (上海實業醫藥投資股份有限公司), a company delisted from the Shanghai Stock Exchange on 12 February 2010, chairman of Shanghai Overseas Company (上海海外公司), non-executive director of Lianhua Supermarket Holdings Co., Ltd.* (聯華超市股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 00980), and executive director of Shanghai Industrial Holdings Limited* (上海實業控股有限公司) (stock code: 00363), a company listed on the Hong Kong Stock Exchange. Mr. Yao was a non-executive director of Biosino Bio-Technology and Science Incorporation (中生北控生物科技股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 08247). Mr. Yao obtained a bachelor degree of economics from Fudan University (復旦大學) in July 1989 and a master degree of business administration from The Chinese University of Hong Kong in December 1993.

Mr. Wu Yifang (吳以芳), aged 50, is the Company's executive Director, president and chief executive officer. Mr. Wu joined the Group in April 2004 and was appointed as an executive Director in August 2016. Mr. Wu is currently a non-executive director of companies listed on the Hong Kong Stock Exchange, namely Sisram Medical (stock code: 01696) and Shanghai Henlius (stock code: 02696). Prior to joining the Group, Mr. Wu was a technician, director, production officer, finance director, assistant to director of Xuzhou Biochemical Pharmaceutical Factory* (徐州生物化學製藥廠), a deputy director of Xuzhou (Wanbang) Biopharmaceuticals Manufactures Plant* (徐州(萬邦)生物化學製藥廠), the deputy general manager of Xuzhou Wanbang Biochemical Pharmaceutical Co., Ltd.* (徐州萬邦生化製藥有限公司) and Jiangsu Wanbang (where Xuzhou Biochemical Pharmaceutical Factory* (徐州生物化學製藥廠), Xuzhou (Wanbang) Biopharmaceuticals Manufactures Plant* (徐州(萬邦)生物化學製藥廠), Xuzhou Wanbang Biochemical Pharmaceutical Co., Ltd.* (徐州萬邦生化製藥有限公司) were predecessors of Jiangsu Wanbang) and the president of Jiangsu Wanbang. He was the Company's senior vice president from July 2014 to January 2016 and the Company's senior vice president and chief operating officer from January 2016 to June 2016. He has been the Company's president and chief executive officer since June 2016 and has been the Company's executive Director since August 2016. Mr. Wu graduated from Nanjing University of Science and Technology (南京理工大學) majoring in international commerce in 1996 and obtained a master degree in business administration from Saint Joseph's University in 2005.

Mr. Xu Xiaoliang (徐曉亮), aged 46, was appointed as the Company's non-executive Director in June 2019. Mr. Xu is currently a director of Fosun High Tech, an executive director and co-chief executive officer of Fosun International (stock code: 00656) and a non-executive director and vice chairman of Zhaojin Mining Industry Company Limited* (招金礦業股份有限公司) (stock code: 01818), which are companies listed on the Hong Kong Stock Exchange, the chairman of Shanghai Yuyuan Tourist Mart Co., Ltd. (上海豫園旅游商城股份有限公司) (stock code: 600655) and a non-independent director of Hainan Mining Co., Ltd.* (海南礦業股份有限公司) (stock code: 601969), which are companies listed on the Shanghai Stock Exchange, and a director of companies listed on the NEEQ, namely Shanghai Resource Property Consulting Co., Ltd.* (上海策源置業顧問股份有限公司) (stock code: 833517) and Shanghai Foyo Culture & Entertainment Co., Ltd.* (上海復娛文化傳播股份有限公司) (stock code: 831472). Mr. Xu was a non-executive director of Shanghai Zendai Property Limited* (上海證大房地產有限公司) (stock code: 00755), a company listed on the Hong Kong Stock Exchange. Mr. Xu is currently a deputy to the 15th Shanghai Municipal People's Congress, the chairman of the Shanghai International Fashion Federation and co-chairman of Industry-City Integration Development Federation of The Zhejiang Chamber of Commerce, Shanghai. Mr. Xu graduated from Innova Education School of Singapore with a diploma in July 1995, obtained his master's degree in business administration from the East China Normal University in July 2002 and his master's degree in business administration from Fudan University in January 2019.

Ms. Mu Haining (沐海寧), aged 47, was appointed as the Company's non-executive Director in June 2018. Ms. Mu is currently a senior assistant to president of Fosun High Tech and is the chief supervisor of Shanghai Ganglian E-Commerce Co., Ltd.* (上海鋼聯電子商務股份有限公司) (stock code: 300226), a company listed on the Shenzhen Stock Exchange. Ms. Mu joined Fosun High Tech since July 2014, and was the executive general manager and co-general manager of human resources management department, assistant to president of Fosun High Tech, deputy chief human resources officer and chief human resources officer. Ms. Mu was a senior consultant and the chief representative of EUSIA S.A. Shanghai Representative Office, and the consulting director for human resources business of Mercer Consulting (China) Co., Ltd.* (美世諮詢(中國)有限公司). Ms. Mu graduated from Southeast University with a bachelor of engineering degree in June 1994 and graduated from National University of Singapore with a master of business administration degree in July 2002.

Mr. Jiang Xian (江憲), aged 65, was appointed as the Company's independent non-executive Director in June 2015. Mr. Jiang is currently an independent director of Shanghai No.1 Pharmacy Co., Ltd.* (上海第一醫藥股份有限公司) (stock code: 600833), a company listed on Shanghai Stock Exchange, a partner and senior partner of Shanghai United Law Firm (上海市聯合律師事務所), an arbitrator of China International Economic and Trade Arbitration Commission, an arbitrator of Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Center), a visiting professor of East China University of Political Science and Law (華東政法大學) (formerly known as East China College of Political Science and Law (華東政法學院)), a mediator of Shanghai Commercial Mediation, and an associated Mediator of Singapore Mediation Center. Mr. Jiang was a lecturer at Shanghai Law School (上海司法學校). Mr. Jiang obtained a bachelor degree of laws from a branch of the Fudan University (復旦大學) (now incorporated into the Shanghai University) in April 1983 and a master degree of laws from Fudan University (復旦大學) in July 1996, respectively. Mr. Jiang qualified as a lawyer in the PRC in 1985.

Dr. Wong Tin Yau Kelvin (黄天祐), Justice of Peace, aged 59, was appointed as the Company's independent non-executive Director in June 2015. Dr. Wong is currently an executive director and deputy managing director of COSCO SHIPPING Ports Limited (stock code: 01199), an independent non-executive director of I.T Limited (stock code: 00999), an independent non-executive director of China ZhengTong Auto Services Holdings Limited (stock code: 01728) and an independent non-executive director of JS Global Lifestyle Company Limited (stock code: 01691), all of which are companies listed on the Hong Kong Stock Exchange, an independent non-executive director of Xinjiang Goldwind Science & Technology Co., Ltd. (stock code: 02208, 002202), a company listed on both the Hong Kong Stock Exchange and the Shenzhen Stock Exchange, and an independent non-executive director of Yangtze Optical Fibre and Cable Joint Stock Limited Company (長飛光纖光纜股份有限公司) (stock code: 06869, 601869), a company listed on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange. Dr. Wong was an independent non-executive director of companies listed on both the Hong Kong Stock Exchange and the Shenzhen Stock Exchange, namely Xinjiang Goldwind Science & Technology Co., Ltd. (stock code: 02208, 002202) and Bank of Qingdao Co., Ltd. (stock code: 03866, 002948), and an independent non-executive director of companies listed on the Hong Kong Stock Exchange, namely AAG Energy Holdings Limited (stock code: 02686), Asia Investment Finance Group Limited (stock code: 00033), Mingfa Group (International) Company Limited (stock code: 00846) and Huarong International Financial Holdings Limited (stock code: 00993). Dr. Wong is currently the chairman of the Financial Reporting Council and a committee member of the Operations Review Committee of the ICAC in Hong Kong. Dr. Wong obtained his Master of Business Administration degree from Andrews University in 1992 and his Doctor of Business Administration degree from The Hong Kong Polytechnic University in 2007.

Ms. Li Ling (李玲), aged 58, was appointed as the Company's independent non-executive Director in June 2019. Ms. Li is currently an economics professor and a Ph.D. supervisor of National School of Development at Peking University, and the director of Research Center of China Healthy Development at Peking University. Ms. Li served as a lecturer at Wuhan University, an assistant to professor and an associate professor with tenure at the Department of Economics of Towson University, as well as a deputy director, an economics professor and a Ph.D. supervisor at China Center for Economic Research of Peking University. She was an independent non-executive director of Sinopharm, a company listed on the Hong Kong Stock Exchange (stock code: 01099). Ms. Li obtained a bachelor's degree in physics from Wuhan University in August 1982, and obtained a master's degree and a doctoral degree in economics from University of Pittsburgh in the U.S. in September 1990 and May 1994, respectively.

Mr. Tang Guliang (湯谷良), aged 57, was appointed as the Company's independent non-executive Director in June 2019. He is currently a professor at the Department of Economics of International Business School of University of International Business and Economics, and an independent director of Appotronics Corporation Limited* (深圳光峰科技股份有限公司), a company listed on the STAR Market of the Shanghai Stock Exchange (stock code: 688007). Mr. Tang was an assistant lecturer, lecturer, associate professor and professor at the Accounting Department of Beijing Business School (currently Beijing Technology and Business University), the dean and professor at School of Accounting of Beijing Technology and Business University, and was the dean of International Business School of University of International Business and Economics. He was also an independent non-executive director of TCL Electronics Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 01070) and an independent director of Changjiang Securities Company Limited* (長江證券股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 000783). Mr. Tang obtained his bachelor degree in accounting from Beijing Business School (currently Beijing Technology and Business University) in July 1984, his master's degree in accounting from Beijing Business School in July 1987, and his doctoral degree in finance from Chinese Academy of Fiscal Sciences under the Ministry of Finance in July 1996.

Mr. Wang Qunbin (汪群斌), aged 50, joined the Group in May 1995 and served as the Company's non-executive Director from June 2010 to June 2019.

Mr. Zhang Xueqing (張學慶), aged 53, served as the Company's non-executive Director in from June 2018 to June 2019.

Mr. Wang Can (王燦), aged 40, served as the Company's non-executive Director from June 2016 to January 2020.

Mr. Liang Jianfeng (梁劍峰), aged 43, served as the Company's non-executive Director from June 2019 to January 2020.

Mr. Cao Huimin (曹惠民), aged 65, served as the Company's independent non-executive Director from June 2013 to June 2019.

Mr. Wai Shiu Kwan Danny (韋少琨), aged 56, served as the Company's independent non-executive Director from June 2016 to June 2019.

SUPERVISORS

Ms. Ren Qian (任倩), aged 50, has served as the chairman of the Supervisory Committee since January 2018. Ms. Ren joined the Group in May 2011 and has been serving as the deputy general manager and general manager of audit department of the Company. Prior to joining the Group, Ms. Ren served as an auditor of the audit department of Shanghai No.1 Department Store Company Limited* (上海市第一百貨股份有限公司) (whereafter merged with Shanghai Bailian Group Company Limited* (上海百聯集團股份有限公司) (stock code: 600827), a company listed on the Shanghai Stock Exchange) and the manager of financial department of a subsidiary thereof, the chief officer of the second division of audit department of China Worldbest Group Company Limited* (中國華源集團有限公司), the assistant to director of Shanghai Zhongzhou Certified Public Accountants Company Limited* (上海中洲會計師事務所有限公司), and the deputy general manager of audit department of Shanghai China Fortune Company Limited* (上海華鑫股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600621). Ms. Ren graduated from Shanghai University of Finance and Economics (上海財經大學) with a bachelor degree in economics in July 1991, and graduated from The Chinese University of Hong Kong with a master degree in accounting in November 2016.

Mr. Cao Genxing (曹根興), aged 73, has served as the Company's Supervisor since 26 May 2008. Mr. Cao currently serves as the secretary to the board of Dahua Group Limited* (大華(集團)有限公司). Mr. Cao Genxing graduated from Central Agricultural Broadcasting and Television School* (中央農業廣播電視學校) with a diploma in agricultural science in December 1985. Mr. Cao graduated from Shanghai Baoshan District Vocational University (上海寶山區業餘大學) with a diploma in party and government management in January 1991.

Mr. Guan Yimin (管一民), aged 69, was appointed as the Company's Supervisor on 30 June 2014. Mr. Guan is now an independent director of Bringspring Science and Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300290) and an independent director of Yihai Kerry Arawana Holdings Co., Ltd.* (益海嘉里金龍魚糧油食品股份有限公司), a company proposed to be listed on the Shenzhen Stock Exchange. Mr. Guan was an independent director of the Company from May 2007 to October 2012, and an independent non-executive director of the Company from October 2012 to June 2013. Mr. Guan was also a professor of Shanghai National Accounting Institute, an independent non-executive director of China Shipping Container Lines Company Limited* (中海集裝箱運輸股份有限公司), which is now known as COSCO SHIPPING Development Co., Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 02866) and the Shanghai Stock Exchange (stock code: 601866), an independent director of Porton Fine Chemicals Ltd.* (重慶博騰製藥科技股份有限公司) (stock code: 300363), a company listed on the GEM board of the Shenzhen Stock Exchange, an independent non-executive director of Tianjin Capital Environmental Protection Group Company Limited* (天津創業環保股份有限公司) (stock code: 01065), a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange (stock code: 600874), an independent director of Shanghai International Port (Group) Co., Ltd.* (上海國際港務(集團)股份有限公司) (stock code: 600018), a company listed on the Shanghai Stock Exchange and an independent director of Bank of Shanghai Co. Ltd. (上海銀行股份有限公司). Mr. Guan obtained a bachelor degree in accounting from Shanghai University of Finance and Economics (SUFE) in January 1983.

SENIOR MANAGEMENT

Mr. Wu Yifang (吳以芳), is the Company's executive Director, president and chief executive officer. His biographical details are set out on page 89 of this annual report.

Mr. Chen Yuqing (陳玉卿), aged 44, joined the Group in January 2010 and is currently the Company's senior vice president (appointed in June 2016). Prior to joining the Group, he was a teacher at the School of Materials of Shanghai University, the human resources manager of Yanfeng Visteon Automotive Trim Systems Co., Ltd* (延鋒偉世通汽車飾件系統有限公司) (now renamed as Yanfeng Automotive Trim Systems Co., Ltd.* (延鋒汽車飾件系統有限公司), Yanfeng Visteon (Beijing) Automotive Trim Systems Co., Ltd. * (延鋒偉世通(北京)汽車飾件系統有限公司) and Shanghai Yanfeng Johnson Controls Seating Co., Ltd.* (上海延鋒江森座椅有限公司), the development manager of the human resources department of Shanghai Alison (Group) Co., Ltd.* (上海埃力生(集團)有限公司), the Central China human resources manager of Schindler China Elevator Co. Ltd.* (迅達(中國)電梯有限公司), the senior human resources integration manager of Global Mart Limited* (購寶商業集團), and the chief human resources officer of Kubao Information Technology (Shanghai) Co., Ltd.* (酷寶信息技術(上海)有限公司). Mr. Chen was the Company's deputy HR supervisor of human resources department, deputy general manager of human resources department, general manager of human resources department, as well as assistant to president. He was the Company's vice president from April 2015 to June 2016. Mr. Chen obtained a bachelor degree in engineering from Shanghai University in July 1997.

Ms. Guan Xiaohui (關曉暉), aged 48, joined the Group in May 2000 and is currently the senior vice president (appointed in June 2015) and chief financial officer of the Company. Ms. Guan is a non-executive director of companies listed on the Hong Kong Stock Exchange, namely Sinopharm (stock code: 01099) and Shanghai Henlius (stock code: 02696). Ms. Guan was the supervisor of China National Accord Medicines Corporation Ltd.* (國藥集團一致藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000028). Prior to joining the Group, Ms. Guan Xiaohui worked at Jiangxi Provincial Branch of the Industrial and Commercial Bank of China* (中國工商銀行江西省分行). Ms. Guan was the Company's vice president, chief accountant and general manager of finance department from December 2014 to June 2015. Mr. Guan is qualified as Chinese Certified Public Account (CPA) and a member of The Association of Chartered Certified Accountants (ACCA). Ms. Guan obtained a bachelor degree of economics from Jiangxi University of Finance and Economics (江西財經大學) and acquired a master degree of professional accountancy from the Chinese University of Hong Kong in December 2007.

Mr. Wang Kexin (王可心), aged 55, joined the Group in June 2010 and is currently the Company's senior vice president (appointed in July 2016). Prior to joining the Group, Mr. Wang was the deputy general manager of Sea Rainbow Holding Corporation* (海虹控股醫藥電子商務有限公司), the marketing director of Kunming Pharmaceutical Group Corporation Limited* (昆明製藥集團股份有限公司) and deputy general manager of Kunming Pharmaceutical Retail Company Limited* (昆明製藥藥品銷售有限公司), the general manager of Beijing Huali Jiuzhou Medical Company Limited* (北京華立九州醫藥有限公司), the vice president of Chongqing Huali Pharmaceutical Industry Company Limited* (重慶華立藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000607) and the chairman of Beijing Tianren Hexin Pharmaceutical Company Limited* (北京天仁合信醫藥經營有限責任公司). Mr. Wang was the Company's vice president from July 2011 to July 2016. Mr. Wang obtained a bachelor degree of medicine from Shenyang Medical College (瀋陽醫學院) in July 1988.

Mr. Aimin Hui, aged 57, joined the Group in November 2017 and is currently the Company's senior vice president (appointed in November 2017). Mr. Hui is a non-executive director of Shanghai Henlius, a company listed on the Hong Kong Stock Exchange (stock code: 02696). Prior to joining the Group, Mr. Hui was a doctor at the Fourth Hospital of Hebei Medical University (河北醫科大學第四醫院), a trainee at National Cancer Center Hospital (國立癌中心醫院) in Japan, a PhD student at the School of Medicine of Shinshu University (信州大學醫學院) in Japan, a special researcher at National Cancer Center (國立癌中心) in Japan, an assistance professor and lecturer at the Faculty of Medicine of University of Tokyo (東京大學醫學院), a visiting scientist and researcher at National Cancer Institute in the U.S., a medical director of GE Healthcare Group, a medical director of Cephalon, Inc., a clinical oncology director and senior director of Takeda Pharmaceutical Company Limited, and a vice president of the global clinical research and development of Sanofi. Mr. Hui obtained a bachelor degree of medicine from Hebei Medical University (河北醫科大學) in August 1984 and a doctoral degree from the School of Medicine of Shinshu University (信州大學醫學院) in Japan in September 1994.

Biographical Details of
Directors, Supervisors and Senior Management

Mr. Hequn Yin, aged 55, joined the Group in February 2019 and is currently the Company's senior vice president (appointed in February 2019). Prior to joining the Group, Mr. Yin was a research and development scientist at F. Hoffmann-La Roche Ltd., a research and development scientist, director, senior director and executive director at Novartis Pharmaceuticals Corporation, and vice president of research and development of Pfizer Inc. Mr. Yin obtained a bachelor degree of science from Peking University (北京大學) in July 1985, a master degree of science from Shanghai Institute of Organic Chemistry, Chinese Academy of Sciences* (中國科學院上海有機化學研究所) in June 1988, and a doctoral degree of pharmacology from the University of Rochester in May 1995. From November 1995 to April 1997, he conducted post-doctoral research in molecular biology at the University of California, San Francisco.

Ms. Mei Jingping (梅璟萍), aged 49, joined the Group in January 2013 and is currently a senior vice president of the Company (appointed in June 2019). Prior to joining the Group, Ms. Mei was the senior marketing manager of the marketing department of Wyeth Pharmaceutical Co., Ltd. and the investment analyst, senior investment analyst and research director of pharmaceutical industry at CLSA Limited. Ms. Mei was the assistant to chairman and general manager of strategic planning department of the Company, and served as the Company's vice president from June 2015 to June 2019. Ms. Mei obtained a bachelor degree in science from China Pharmaceutical University in 1992

Mr. Wang Yao (汪曜), aged 46, joined the Group in September 2014 and is currently a vice president of the Company (appointed in September 2014). Mr. Wang is a non-executive director of Sisram Medical, a company listed on the Hong Kong Stock Exchange (stock code: 01696). Prior to joining the Group, Mr. Wang was the director in merger and acquisition of Asian-Pacific Region of PENTAIR LTD, a company listed on the New York Stock Exchange (stock code: PNR), during which he was concurrently the general manager of Beijing Pentair-Jieming Environmental Protection Equipment Co., Ltd.* (北京濱特爾潔明環保設備有限公司), an affiliate of PENTAIR LTD. He was also the vice president of group investment and asset management of Suntech Power Holdings Co., Ltd., a company listed on the New York Stock Exchange (stock code: STP). Mr. Wang obtained a bachelor degree in metal casting from Shanghai University (上海大學) in 1995 and a master degree in business administration from CEIBS in 1999.

Mr. Wang Donghua (王冬華), aged 50, joined the Group in October 2015 and is currently a vice president of the Company (appointed in January 2016). Prior to joining the Group, Mr. Wang was the deputy manager and manager of the corporate culture department, deputy general manager of the investment development department, deputy general manager and spokesman of the brand development department, and deputy general manager, executive general manager and joint general manager of the public affairs department of Fosun High Tech. Mr. Wang was the senior assistant to president of the Company. Mr. Wang obtained a bachelor degree in agriculture from Yangzhou University in July 1994, and a master degree in business administration from Shanghai University of Finance and Economics in February 2004.

Mr. Wen Deyong (文德鏞), aged 48, joined the Group in May 2002 and is currently a vice president of the Company (appointed in June 2016). Mr. Wen is a non-executive director of Sinopharm, a company listed on the Hong Kong Stock Exchange (stock code: 01099) and a director of Sinopharm (CNCM LTD) (stock code: 600511), a company listed on the Shanghai Stock Exchange. Mr. Wen was a director of CQ Pharma Holdings (stock code: 000950), a company listed on the Shenzhen Stock Exchange. Prior to joining the Group, Mr. Wen was a general manager of the No. 2 marketing department and vice president and president of Yao Pharma. Mr. Wen graduated from West China University of Medical Sciences (華西醫科大學), which is now known as West China Medical Center of Sichuan University (四川大學華西醫學中心), in September 1995, and obtained a Master of Business Administration Degree from Donghua University (東華大學) in December 2007.

Ms. Dong Xiaoxian (董曉嫻), aged 38, joined the Group in July 2003, and is currently a vice president (appointed in June 2016), the secretary to the Board and a joint company secretary of the Company. Ms. Dong worked as the securities affairs assistant, securities affairs representative, deputy director and director of the Board Secretary Office of the Company. Ms. Dong graduated from Shanghai University (上海大學) with a Bachelor of Laws in July 2003, and graduated with a Master of Business Administration Degree from Fudan University (復旦大學) in January 2015.

Mr. Liu Yi (劉毅), aged 44, joined the Group in November 2015 and is currently a vice president of the Company (appointed in January 2017). Mr. Liu is the executive Director and chairman of the board of directors of Sisram Medical (stock code: 01696), a company listed on the Hong Kong Stock Exchange. Prior to joining the Group, Mr. Liu was a student in Young Cadre Training Class of Chinese Academy of Governance (國家行政學院青年幹部培訓班), a deputy section officer of medical equipment department and a section officer of market supervision department of State Food and Drug Administration, which is now known as CFDA and the deputy head and head of Beijing Medical Equipment Laboratory (北京市醫療器械檢驗所). Mr. Liu was the chief technology officer of the medical devices division of the Company. Mr. Liu obtained a bachelor degree in engineering from Beijing Institute of Technology in July 1998, and a master degree in management from Peking University in January 2006.

Mr. Li Dongming (李東明), aged 50, joined the Group in April 2017 and is currently a vice president of the Company (appointed in January 2018). Prior to joining the Group, Mr. Li was a technician trainee, deputy director, director, and the assistant to the plant manager and director in the workshop of Shanghai Yan'an Pharmaceutical Plan* (上海延安製藥廠), a deputy general manager and director of the human resources department of Shanghai Yan'an Wanxiang Pharmaceutical Co., Ltd.* (上海延安萬象藥業股份有限公司), a deputy factory director of Shanghai Sine Pharmaceuticals* (信誼藥廠) (now known as Shanghai SPH Sine Pharmaceutical Laboratories Co., Ltd.* (上海上藥信誼藥廠有限公司)), the strategic director of the strategy and investment committee office under the board of directors, as well as the vice president of the OTC sales business department of Shanghai Pharmaceuticals (Group) Limited, a director and deputy general manager of Shanghai Roche Pharmaceutical Co., Ltd., a director and general manager of Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd., and a director and general manager of Shanghai Pharmaceutical Group Pharma Sales Co., Ltd.* (上海醫藥集團藥品銷售有限公司). Mr. Li obtained a bachelor degree in science from Fudan University in July 1989.

Mr. Zhang Yuejian (張躍建), aged 50, joined the Group in February 2005 (who was also employed by the Group from November 2000 to February 2002) and is currently the Company's vice president (appointed in June 2019). Prior to joining the Group, Mr. Zhang was a lecturer at Shanghai Medical University (上海醫藥大學) and had a postdoctoral research at Boston University. Mr. Zhang served as the general manager of the medical diagnostics division and assistant to president of the Company. Mr. Zhang obtained a bachelor's degree in medicine from Shanghai Medical University in July 1993, a master's degree in medicine from Shanghai Medical University in June 1997, and a doctorate in medicine from Shanghai Medical University in July 2000.

Mr. Chen Zhanyu (陳戰宇), aged 48, joined the Group in June 2011 and is currently the Company's vice president (appointed in January 2020) and deputy chief financial officer. Prior to joining the Group, Mr. Chen was the head of the finance department of Baoji Pharmaceutical Machinery Plant* (寶雞製藥機械廠), the finance director of Xi'an Fifth Grinding Wheel Factory* (西安第五砂輪製造廠), the manager of the finance department of Xi'an Omeya Beauty Products Co., Ltd.* (西安歐美亞美容製品), the financial director of Topsun Science and Technology Co., Ltd.* (東盛科技股份有限公司), and the financial director of Shannxi Buchang Pharmaceutical Co., Ltd.*, (陝西步長製藥有限公司). Mr. Chen Zhanyu served as the Company's assistant to president and senior assistant to president. Mr. Chen Zhanyu holds the qualification of PRC Certified Public Accountant (CPA). Mr. Chen graduated from industrial accounting in Xi'an University of Finance and Economics in July 1992 and obtained a master's degree in business administration from Northwest University in July 2005.

Mr. Li Jianqing (李建青), aged 52, joined the Group in November 2013 and is currently the Company's vice president (appointed in January 2020). Mr. Li is a director of Sunhere Pharmaceutical Excipients* (安徽山河藥用輔料股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300452). Prior to joining the Group, Mr. Li worked at CSPC Pharmaceutical Group Limited* (石藥集團) and the subsidiaries thereof, and had served as assistant president and vice president of CSPC Pharmaceutical Group Limited. Mr. Li was the Company's assistant to the president and senior assistant to president. Mr. Li obtained a bachelor's degree in pharmacy from Hebei Medical University in July 1989, a master's degree in business administration from Hebei University of Technology in July 1999 and a Doctor of Science degree from Shenyang Pharmaceutical University in July 2007.

Mr. Li Shengli (李勝利), aged 46, joined the Group in April 2004 and is currently the Company's vice president (appointed in January 2020). Prior to joining the Group, Mr. Li served at Xuzhou Nhwa Pharmaceutical Group Co., Ltd.* (徐州恩華藥業集團有限責任公司). Mr. Li was the assistant to president of the Company. Mr. Li graduated from the Medical Clinical Specialty of Anhui University of Chinese Medicine in 1996, and obtained a master's degree in business administration from Shanghai Jiao Tong University in December 2011.

Mr. Hu Hang (胡航), aged 36, joined the Group in September 2010 and is currently the Company's vice president (appointed in January 2020). Prior to joining the Group, Mr. Hu served as an auditor at PricewaterhouseCoopers Zhong Tian LLP, a senior auditor at Ernst & Young Hua Ming LLP, and a senior adviser on risk control at PricewaterhouseCoopers Management Consulting (Shanghai) Limited. Mr. Hu was as senior financial manager of the medical service management committee, investment director and outsourced finance director of the Company, and assistant to president of Fosun Healthcare. Mr. Hu obtained a bachelor's degree in economics from Fudan University in July 2006, and a master's degree in business administration from Shanghai Jiao Tong University in March 2013.

Mr. Bao Qingui (包勤貴), aged 35, joined the Group in July 2010 and is currently the Company's vice president (appointed in January 2020). Mr. Bao was the R&D manager of Shanghai Henlius Biotech Co., Ltd. (currently Shanghai Henlius), senior manager of the strategic planning department and business affairs assistant to chairman, director of strategic planning of the medical service management committee and the chief investment officer of the medical service management committee of the Company, and the assistant to the president of Fosun Healthcare. Mr. Bao received a bachelor's degree in engineering from Hefei University of Technology in July 2007 and a Master of Science degree from Fudan University in June 2010.

Mr. Peng Yiran (彭奕然), aged 42, joined the Group in July 2014 and is currently the Company's vice president (appointed in January 2020). Prior to joining the Group, Mr. Peng served as the production and order management center officer, section chief/supervisor and project manager of Foxconn Precision Component (Shenzhen) Co., Ltd.* (富士康精密元件(深圳)有限公司), the business development manager, regional sales manager, emerging market and Asia Pacific business development manager, deputy director of China market access development and deputy director of China vaccine business market of GlaxoSmithKline (China) Investment Co., Ltd. Mr. Peng also served as the Company's senior investment director, deputy general manager of international department and assistant to president. Mr. Peng obtained a bachelor's degree in economics from Jiangxi University of Finance and Economics in June 1998, and a master's degree in business administration from China Europe International Business School in February 2007.

Ms. Dai Kun (戴昆), aged 42, joined the Group in March 2018 and is currently the Company's vice president (appointed in January 2020). Ms. Dai is a non-executive director of Sinopharm (stock code: 01099), a non-executive director of Sisram Medical (stock code: 01696) and a supervisor of Shanghai Henlius (stock code: 02696), all of which are companies listed on the Hong Kong Stock Exchange. Prior to joining the Group, Ms. Dai served as a customer service representative at China International Intellectech Co., Ltd., the assistant to human resources vice president, human resources specialist, human resources supervisor, the manager of the human resources shared center, the human resources manager of the business department and the deputy director of the human resources of Beijing Novartis Pharma Co. Ltd.* (北京諾華製藥有限公司), human resources director for Novartis OTC Greater China & South Korea OU, and the head of the recruitment center of the Greater China region and the head of human resources of the enterprise services of Novartis China. Ms. Dai was the assistant to president of the Company. Ms. Dai obtained a Bachelor of Arts degree from China University of Political Science and Law in June 2000.

Mr. Li Xinlei (李鑫磊), aged 37, joined the Group in October 2008 and is currently the Company's vice president (appointed in January 2020). Prior to joining the Group, Mr. Li served as a sales representative, senior sales representative/product expert at Sino-Swed Pharmaceutical Corporation Ltd.* (華瑞製藥有限公司). Mr. Li was the senior manager of investor relations, deputy director of investor relations, director of investor relations, assistant to general manager of investor relations department, deputy general manager of investor relations department, deputy general manager of investor relations and capital development department, and assistant to president of the Company. Mr. Li obtained a Bachelor of Science degree in Pharmacy from Sichuan University in July 2004, a Master of Science degree from the University of Huddersfield in the U.K. in October 2006, and a master's degree from the IMBA Programme of Fudan University — Hong Kong University in November 2016.

Mr. Zhou Biao (周颷), aged 49, joined the Group in June 2013 and served as the Company's vice president and senior vice president from June 2013 to June 2019.

Mr. Wang Cheng (汪誠), aged 56, joined the Group in August 2011 and served as the Company's vice president and senior vice president from October 2011 to June 2019.

JOINT COMPANY SECRETARIES

Ms. Dong Xiaoxian (董曉嫻), aged 38, a joint company secretary, is also a senior vice president of the Company and secretary to the Board. Please refer to page 94 of this annual report for her biography.

Ms. Kam Mei Ha Wendy (甘美霞), aged 52, a joint company secretary, is also an executive director of corporate services at Tricor Services Limited. Prior to joining Tricor Services Limited, Ms. Kam served as manager of the company secretarial department of Ernst & Young, Hong Kong and Tricor Tengis Limited. Ms. Kam is named company secretary of six listed companies on the Hong Kong Stock Exchange (including the Company) as at the end of the Reporting Period. Ms. Kam is a Chartered Secretary, a Chartered Governance Professional and a fellow of both The Hong Kong Institute of Chartered Secretaries (HKICS) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators (ICSA)). Ms. Kam is also a member of the customer liaison group of the Hong Kong Companies Registry. She graduated from City Polytechnic of Hong Kong (now known as City University of Hong Kong) with a professional diploma in company secretaryship and administration in November 1990.

Ms. Lo Yee Har Susan (盧綺霞), aged 61, served as the Company's joint company secretary from October 2012 to December 2019.

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 103 to 240, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill	
The carrying value of goodwill in the consolidated financial statements amounted to RMB9,013,990,000 as at 31 December 2019. In accordance with HKFRSs, the Group is required to perform impairment test for goodwill at least on an annual basis. The impairment test is based on the recoverable amount of each cash-generating unit to which the goodwill is allocated. The recoverable amount of each cash-generating unit is its value in use using cash flow projection based on a financial budget or a forecast. This matter was significant to our audit because the impairment test process was complex and involves significant judgements and estimates. The disclosures about impairment of goodwill are included in note 2.4 Summary of Significant Accounting Policies, note 3 "Significant Accounting Judgements and Estimates" and note 17 "Goodwill", which specifically explains the key assumptions management used for the calculation of the recoverable amounts.	Our audit procedures included, among others, involving internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group, in particular, discount rate and growth rate beyond a forecast period. We paid attention to the forecasts used with respect to future revenues and operating results by comparing the forecasts with the historical performance and the business development plan of each cash-generating unit. We also focused on the adequacy of the disclosures in the consolidated financial statements.
Impairment of indefinite-life intangible assets	
The carrying value of indefinite-life intangible assets (medicine licences, trademarks and operating concession rights) in the consolidated financial statements amounted to 1,220,593,000 as at 31 December 2019. In accordance with HKFRSs, the Group is required to perform impairment test for indefinite-life intangible assets at least on an annual basis. The impairment test is based on the recoverable amount of each individual asset or the corresponding cash-generating unit, which is its value in use using cash flow projections based on a financial budget or a forecast. This matter was significant to our audit because the impairment test process was complex and involved significant judgements and estimates. The disclosures about impairment of indefinite-life intangible assets are included in note 2.4 Summary of Significant Accounting Policies, note 3 "Significant Accounting Judgements and Estimates" and note 18 "Other Intangible Assets", which specifically explains the key assumptions management used for the calculation of the recoverable amounts.	Our audit procedures included, among others, involving internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group, in particular, discount rate and growth rate beyond a forecast period used in the cash flow forecast of each individual asset or the corresponding cash-generating unit. We paid attention to the forecasts used with respect to future revenues and operating results by comparing the forecasts with historical performance and product revenue plan of each individual asset or the corresponding cash-generating unit. We also focused on the adequacy of the disclosures in the consolidated financial statements.

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

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Capitalisation of development expenditures	
During the year ended 31 December 2019, expenditure incurred on projects to develop new pharmaceutical products of RMB1,451,224,000 was capitalised in "other intangible assets — deferred development costs" in the consolidated financial statements. The expenditure on development activities was capitalised and deferred when all criteria mentioned in note 2.4 "Summary of Significant Accounting Policies" were satisfied. This matter was significant to our audit because significant management's estimation and judgement were required in determining whether development expenditure met the capitalisation criteria. The disclosures about capitalisation of development expenditure are included in note 2.4 Summary of Significant Accounting Policies, note 3 Significant Accounting Judgements and Estimates and note 18 Other Intangible Assets.	Our audit procedures included, among others, assessing whether the capitalisation policy adopted to be in line with HKFRSs, obtaining an understanding of the Group's internal approval procedures regarding the capitalisation of development expenditures by conducting interview with key management members in charge of research, development and industrialisation of various projects, and obtaining certifications related to different stage of development activities and commercial and technical feasibility reports prepared by the management. We also focused on the adequacy of the disclosures in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants

Hong Kong
30 March 2020

Consolidated
Statement of Profit or Loss

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	5	**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	6	**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	8	**1,897,033**	845,454
Other expenses		**(457,149)**	(175,296)
Interest income		**186,648**	145,738
Finance costs	9	**(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	7	**4,525,753**	3,579,593
Income tax expense	12	**(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:	14		
Basic		**RMB1.30**	RMB1.07
Diluted		**RMB1.30**	RMB1.07

Consolidated
Statement of Comprehensive Income

Year ended 31 December 2019

	2019 **RMB'000**	2018 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 and joint ventures	**(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 loss 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	15	**10,720,960**	9,218,250
Prepaid land lease payments	16(a)	**—**	1,522,752
Right-of-use assets	16(b)	**2,454,742**	—
Goodwill	17	**9,013,990**	8,853,913
Other intangible assets	18	**9,036,246**	7,669,365
Investments in joint ventures	19	**381,332**	446,567
Investments in associates	20	**20,491,557**	20,924,073
Equity investments designated at fair value through other comprehensive income	21	**107,709**	126,313
Financial assets at fair value through profit or loss	27	**1,983,155**	2,505,807
Deferred tax assets	23	**196,095**	173,135
Other non-current assets	22	**1,273,605**	1,052,572
Total non-current assets		**55,659,391**	52,492,747
CURRENT ASSETS			
Inventories	24	**3,940,537**	3,287,392
Trade and bills receivables	25	**4,607,722**	4,336,151
Prepayments, other receivables and other assets	26	**1,420,087**	1,215,538
Financial assets at fair value through profit or loss	27	**456,651**	616,124
Debt investments at fair value through other comprehensive income	25	**445,103**	—
Cash and bank balances	28	**9,533,268**	8,546,522
Total current assets		**20,403,368**	18,001,727
CURRENT LIABILITIES			
Trade and bills payables	29	**2,397,315**	2,333,283
Other payables and accruals	30	**5,376,193**	4,312,390
Interest-bearing bank and other borrowings	31	**8,703,988**	10,533,021
Contract liabilities	32	**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

Consolidated
Statement of Financial Position

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**58,628,993**	52,571,228
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	31	**12,987,095**	12,670,119
Deferred tax liabilities	23	**2,994,048**	2,908,359
Contract liabilities	32	**223,009**	71,513
Deferred income	33	**417,345**	363,488
Other long-term liabilities	34	**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	35	**2,562,899**	2,563,061
Treasury shares	40	**—**	(1,711)
Reserves	36	**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

Chen Qiyu
Director

Wu Yifang
Director

Consolidated
Statement of Changes in Equity

Year ended 31 December 2019

	Attributable to owners of the parent										
	Issued share capital RMB'000 (note 35)	Share premium RMB'000	Treasury shares RMB'000	Fair value reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2017	2,495,131	9,221,287*	(9,523)	364,418*	2,254,973*	(2,154)*	43,605*	10,902,244*	25,269,981	4,414,586	29,684,567
Effect of adoption of HKFRS 9	—	—	—	(62,697)	—	—	—	46,018	(16,679)	(5,094)	(21,773)
At 1 January 2018	2,495,131	9,221,287*	(9,523)	301,721*	2,254,973*	(2,154)*	43,605*	10,948,262*	25,253,302	4,409,492	29,662,794
Profit for the year	—	—	—	—	—	—	—	2,707,923	2,707,923	311,959	3,019,882
Other comprehensive loss for the year:											
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	—	(182,833)	—	—	—	—	(182,833)	(129)	(182,962)
Share of other comprehensive income of associates	—	—	—	(88,783)	—	—	—	—	(88,783)	—	(88,783)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(336,920)	—	(336,920)	(60,020)	(396,940)
Total comprehensive income for the year	—	—	—	(271,616)	—	—	(336,920)	2,707,923	2,099,387	251,810	2,351,197
Profit appropriation to reserves	—	—	—	—	120,025	—	—	(120,025)	—	—	—
Issue of H shares	68,000	2,156,574	—	—	—	—	—	—	2,224,574	—	2,224,574
Repurchase and cancellation of restricted A shares	(70)	(669)	739	—	—	—	—	—	—	—	—
Unlocking of restricted A shares	—	—	7,073	—	—	—	—	—	7,073	—	7,073
Establishment of new subsidiaries	—	—	—	—	—	—	—	—	—	292,951	292,951
Disposal of partial interests in subsidiaries without loss of control	—	—	—	—	—	53,746	—	—	53,746	29,654	83,400
Deemed disposal of partial interest in subsidiaries without loss of control	—	—	—	—	—	1,007,601	—	—	1,007,601	1,012,837	2,020,438
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(150,080)	(150,080)
Capital injections from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	135,747	135,747
Acquisitions of subsidiaries	—	—	—	—	—	—	—	—	—	172,490	172,490
Disposal of associates	—	—	—	—	—	(75,385)	—	—	(75,385)	—	(75,385)
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	(19,800)	(19,800)
Deemed disposal of partial interests in associates	—	—	—	—	—	301,992	—	—	301,992	—	301,992
Acquisition of non-controlling interests	—	—	—	—	—	(1,277,762)	—	—	(1,277,762)	(599,065)	(1,876,827)
Equity-settled share-based payments	—	9,519	—	—	—	(8,877)	—	—	642	—	642
A subsidiary's equity-settled share-based payment	—	—	—	—	—	—	—	—	—	92,547	92,547
Fair value adjustment on the share redemption options granted to non-controlling shareholders of subsidiaries	—	—	—	—	—	(927,150)	—	—	(927,150)	(13,606)	(940,756)
Share of changes in equity other than comprehensive income and distributions received of associates	—	—	—	—	—	226,793	—	—	226,793	—	226,793
Final 2017 dividend declared and paid	—	—	—	—	—	—	—	(973,963)	(973,963)	—	(973,963)
At 31 December 2018	2,563,061	11,386,711*	(1,711)	30,105*	2,374,998*	(701,196)*	(293,315)*	12,562,197*	27,920,850	5,614,977	33,535,827

* The reserve accounts comprise the consolidated reserves of RMB25,359,500,000 (2017: RMB22,784,373,000) in the consolidated statement of financial position.

Consolidated
Statement of Changes in Equity

Year ended 31 December 2019

	Attributable to owners of the parent										
	Issued share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Fair value reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	2,563,061	11,386,711*	(1,711)	30,105*	2,374,998*	(701,196)*	(293,315)*	12,562,197*	27,920,850	5,614,977	33,535,827
Profit for the year	—	—	—	—	—	—	—	3,321,618	3,321,618	421,904	3,743,522
Other comprehensive loss for the year:											
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	—	(19,590)	—	—	—	—	(19,590)	26	(19,564)
Share of other comprehensive income of associates	—	—	—	(45,278)	—	—	—	—	(45,278)	—	(45,278)
Share of other comprehensive income of a joint venture	—	—	—	(783)	—	—	—	—	(783)	—	(783)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(127,563)	—	(127,563)	(24,638)	(152,201)
Total comprehensive income for the year	—	—	—	(65,651)	—	—	(127,563)	3,321,618	3,128,404	397,292	3,525,696
Profit appropriation to reserves	—	—	—	—	148,801	—	—	(148,801)	—	—	—
Repurchase and cancellation of restricted A shares	(162)	(1,549)	1,711	—	—	—	—	—	—	—	—
Establishment of new subsidiaries	—	—	—	—	—	—	—	—	—	4,040	4,040
Deemed disposal of partial interests in subsidiaries without loss of control	—	—	—	—	—	1,445,816	—	—	1,445,816	1,518,086	2,963,902
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(250,084)	(250,084)
Capital injections from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	103,531	103,531
Acquisitions of subsidiaries *(note 37)*	—	—	—	—	—	—	—	—	—	158,614	158,614
Disposal of associates	—	—	—	—	—	(69,522)	—	—	(69,522)	—	(69,522)
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	(100)	(100)
Deemed acquisition of non-controlling interests	—	—	—	—	—	42,552	—	—	42,552	(42,552)	—
Deemed disposal of partial interests in associates	—	—	—	—	—	49,433	—	—	49,433	6,878	56,311
Acquisition of non-controlling interests	—	—	—	—	—	(147,129)	—	—	(147,129)	(146,601)	(293,730)
Subsidiaries' equity-settled share-based payment *(note 40)*	—	—	—	—	—	—	—	—	—	135,817	135,817
Fair value adjustment on the share redemption options granted to non-controlling shareholders of subsidiaries	—	—	—	—	—	278,471	—	—	278,471	(183,751)	94,720
Share of changes in equity other than comprehensive income and distributions received of associates	—	—	—	—	—	931	—	—	931	—	931
Final 2018 dividend declared and paid	—	—	—	—	—	—	—	(818,627)	(818,627)	—	(818,627)
At 31 December 2019	2,562,899	11,385,162*	—	(35,546)*	2,523,799*	899,356*	(420,878)*	14,916,387*	31,831,179	7,316,147	39,147,326

* The reserve accounts comprise the consolidated reserves of RMB29,268,280,000 (2018: RMB25,359,500,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**4,525,753**	3,579,593
Adjustments for:			
Finance costs	9	**1,074,690**	929,658
Share of profits and losses of joint ventures		**64,599**	50,441
Share of profits and losses of associates		**(1,496,013)**	(1,399,438)
Depreciation of items of property, plant and equipment	7	**926,245**	887,151
Depreciation of right-of-use assets/Amortisation of prepaid land lease payments	7	**158,139**	29,384
Amortisation of other intangible assets	7	**436,095**	430,381
(Gain)/Loss on disposal of items of property, plant and equipment and other tangible assets	7	**(7,728)**	19,366
Gain on disposal of interests in associates and joint ventures	8	**(1,740,697)**	(350,704)
Loss/(Gain) on disposal of subsidiaries	7	**5,548**	(44,467)
Dividend income from financial assets at fair value through profit or loss	6	**(22,728)**	(4,136)
Dividend income from equity investments at fair value through other comprehensive income	6	**(876)**	(128)
Impairment of inventories	7	**12,357**	17,190
Impairment losses on financial assets	7	**97,114**	27,162
Impairment of items of property, plant and equipment	7	**4,977**	—
Impairment of goodwill	7	**75,000**	80,000
Impairment of investments in associates	7	**297,633**	—
Fair value gain on financial assets at fair value through profit or loss	7	**(22,168)**	(271,385)
Equity settled share-based payment		**109,066**	72,328
		4,497,006	4,052,396
Increase in inventories		**(505,188)**	(564,697)
Increase in trade and bills receivables		**(189,980)**	(510,634)
Increase in debt investments at fair value through other comprehensive income		**(445,103)**	—
Increase in prepayments, other receivables and other assets		**(228,189)**	(150,960)
Increase in trade and bills payables		**39,559**	556,496
Increase in contract liabilities		**104,884**	588,923
Increase/(decrease) in other payables and accruals		**929,055**	(399,529)
(Increase)/decrease in pledged bank balances to secure bills payable		**(192,903)**	128,146
Cash generated from operations		**4,009,141**	3,700,141
Income tax paid		**(786,728)**	(750,036)
Net cash flows from operating activities		**3,222,413**	2,950,105

Consolidated
Statement of Cash Flows

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Net cash flows from operating activities		**3,222,413**	2,950,105
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment, prepaid land lease payments, other intangible assets and other non-current assets		**(3,962,059)**	(3,174,911)
Acquisitions of subsidiaries, net of cash acquired	37	**(822,665)**	(642,885)
Acquisition of interests in associates and joint ventures		**(305,551)**	(2,015,558)
Purchases of financial assets at fair value through profit or loss		**(212,365)**	(115,535)
Disposal and partial disposal of associates		**3,338,592**	402,951
Deposit payment for planned acquisition		**—**	(15,000)
Disposal of financial assets at fair value through profit or loss		**1,009,460**	300,326
Disposal of subsidiaries	38	**3,882**	20,296
Dividends from associates		**533,573**	525,863
Dividends from a joint venture		**3,039**	—
Dividends received from financial assets at fair value through profit or loss		**30,622**	13,905
Dividends received from equity investments designated at fair value through other comprehensive income		**887**	315
Proceeds from disposal of items of property, plant and equipment, prepaid land lease payments, other intangible assets and other non-current assets		**33,980**	29,179
Deposit for construction projects		**10,346**	26,996
Decrease/(Increase) in non-pledged time deposits with original maturity of three months or more when acquired and deposits for other acquisitions		**315,523**	(600,748)
Other receipts relating to investing activities		**(149,226)**	(109)
Net cash flows used in investing activities		**(171,962)**	(5,244,915)

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings	39	**11,548,539**	12,535,348
Repayment of bank and other borrowings	39	**(13,833,338)**	(10,222,268)
Principal portion of lease payments/finance lease rental payments		**(135,361)**	(6,013)
Interest paid		**(1,007,722)**	(801,800)
Proceeds from issuance of new shares		**—**	2,224,574
Capital injections from non-controlling shareholders of subsidiaries		**3,190,489**	2,626,800
Listing expenses of a subsidiary		**(154,008)**	—
Dividends paid to owners of the parent		**(831,998)**	(973,734)
Dividends paid to non-controlling shareholders of subsidiaries		**(253,227)**	(205,015)
Acquisitions of non-controlling interests		**(445,439)**	(2,074,897)
Partial disposal of subsidiaries without losing control		**—**	34,540
Other payments relating to financing activities		**(13,914)**	—
Net cash flows (used in)/from financing activities		**(1,935,979)**	3,137,535
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,114,472**	842,725
Cash and cash equivalents at beginning of year		**7,175,005**	6,350,319
Effect of foreign exchange rate changes, net		**(5,106)**	(18,039)
CASH AND CASH EQUIVALENTS AT END OF YEAR	28	**8,284,371**	7,175,005

1. CORPORATE AND GROUP INFORMATION

The Company was established as a joint stock company with limited liability on 31 May 1995 in the People's Republic of China("PRC"). The Company's A Shares have been listed on the Shanghai Stock Exchange since 7 August 1998. The Company's H shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") since 30 October 2012. The operating term is from 31 December 1998 to an indefinite period.

The holding company of the Company is Shanghai Fosun High Technology (Group) Co., Ltd. ("Fosun High Tech"). The ultimate holding company of the Company is Fosun International Holdings Limited. The ultimate controlling shareholder of the Company is Mr. Guo Guangchang.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the development, manufacture and sale of pharmaceutical products and medical equipment, import and export of medical equipment and the provision of related and other consulting services and investment management.

Information about subsidiaries

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

Company name*	Place of incorporation/ registration and business	Nominal value of issued/registered share capital ('000)	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Shanghai Henlius Biotech Co., Ltd. ("Henlix") (上海復宏漢霖生物技術股份有限公司)****	PRC/ Chinese Mainland	RMB543,495	—	53.33	Research and development of biopharmaceutical drugs
Chongqing Fochon Pharmaceutical Research Co., Ltd ("Chongqing Fochon") (重慶複創醫藥研究有限公司)***	PRC/ Chinese Mainland	USD14,288	—	72.08	Research and development of chemical drugs
Fosun Industrial Co., Ltd. ("Fosun Industrial") (復星實業(香港)有限公司)	PRC/ Hong Kong	USD558,190	100	—	Investment management
Shanghai Fosun Pingyao Investment Management Co., Ltd. ("Pingyao Investment") (上海復星平耀投資管理有限公司)**	PRC/ Chinese Mainland	RMB10,000	100	—	Investment management
Shanghai Fosun Medical (Group) Co., Ltd. ("Fosun Medical") (上海復星醫療(集團)有限公司)**	PRC/ Chinese Mainland	RMB2,166,065	97.23	1.7	Medical consultation
Ample Up Limited ("Ample Up") (能悅有限公司)	PRC/ Hong Kong	USD61,587	—	100	Investment management
Fosun Pharma USA Inc.	USA	US$10,000	100	—	Manufacture and trading of medicine
Fosun Pharma Industrial Pte. Ltd.	Singapore	US$450,000	—	100	Investment management
Fosun Pharmaceutical AG	Switzerland	CHF1,000	—	100	Investment management

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Company name*	Place of incorporation/ registration and business	Nominal value of issued/registered share capital ('000)	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Chongqing Yao Pharmaceutical Co., Ltd. ("Yao Pharmaceutical") (重慶藥友製藥有限責任公司)****	PRC/ Chinese Mainland	RMB196,540	—	51	Manufacture and trading of medicine
Jiangsu Wanbang (Group) Biopharmaceutical Co., Ltd. ("Jiangsu Wanbang") (江蘇萬邦生化醫藥集團有限責任公司)****	PRC/ Chinese Mainland	RMB440,455	4.8	95.2	Manufacture and trading of medicine
Guilin South Pharma Co., Ltd. (桂林南藥股份有限公司)****	PRC/ Chinese Mainland	RMB285,030	—	96.29	Manufacture and trading of medicine
Shanghai Fosun Long March Medical Science Co., Ltd. ("Fosun Long March") (上海復星長征醫學科學有限公司)**	PRC/ Chinese Mainland	RMB156,854	100	—	Manufacture and sale of diagnostic products
Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. ("Industrial Development") (上海復星醫藥產業發展有限公司)**	PRC/ Chinese Mainland	RMB2,253,308	100	—	Investment management
Jinzhou Aohong Pharmaceutical Co., Ltd. ("Aohong Pharma") (錦州奧鴻藥業有限責任公司)****	PRC/ Chinese Mainland	RMB510,000	—	100	Manufacture and trading of medicine
Chongqing Pharmaceutical Research Institute Co., Ltd. (重慶醫藥工業研究院有限責任公司)****	PRC/ Chinese Mainland	RMB55,000	—	51	Research and development of medicine
Yueyang Guangji Hospital Co., Ltd. ("Guangji Hospital") (岳陽廣濟醫院有限公司)****	PRC/ Chinese Mainland	RMB111,120	—	98.93	Healthcare services
Yaneng Bioscience (Shenzhen) Co., Ltd. (亞能生物技術(深圳)有限公司)***	PRC/ Chinese Mainland	HKD11,635	—	50.1	Manufacture and trading of diagnostic drugs
Dalian Aleph Biomedical Co., Ltd. ("Dalian Aleph") (大連雅立峰生物製藥有限公司)****	PRC/ Chinese Mainland	RMB52,000	—	100	Manufacture and sale of biologic pharmaceutical products
Shine Star (Hubei) Biological Engineering Co., Ltd. (湖北新生源生物工程有限公司)****	PRC/ Chinese Mainland	RMB51,120	—	51	Manufacture and trading of medicine

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Company name*	Place of incorporation/ registration and business	Nominal value of issued/registered share capital ('000)	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Chindex Medical Limited (美中互利醫療有限公司)	PRC/ Hong Kong	HKD754,520	—	100	Investment management
Shenyang Hongqi Pharmaceutical Co., Ltd. ("Hongqi Pharma") (瀋陽紅旗製藥有限公司)****	PRC/ Chinese Mainland	RMB100,000	—	100	Manufacture and trading of medicine
Anhui Jimin Cancer Hospital (安徽濟民腫瘤醫院) *****	PRC/ Chinese Mainland	RMB10,000	—	69.25	Healthcare services
Suqian Zhongwu Hospital Co., Ltd. ("Zhongwu Hospital) (宿遷市鐘吾醫院有限責任公司) ****	PRC/ Chinese Mainland	RMB17,500	—	60.77	Healthcare services
Alma Lasers Ltd. ("Alma")	State of Israel	Not applicable	—	52.83	Manufacture and sale of medical devices
Hunan Dongting Pharmaceutical Co., Ltd. ("Dongting Pharma") (湖南洞庭藥業股份有限公司)****	PRC/ Chinese Mainland	RMB110,064	44.4	26.01	Manufacture and trading of medicine
Foshan City Chancheng District Central Hospital Co., Ltd. ("Chancheng Hospital") (佛山市禪城區中心醫院有限公司)****	PRC/ Chinese Mainland	RMB50,000	—	86.47	Healthcare services
Suzhou Erye Pharmaceutical Co., Ltd. ("Erye Pharma") (蘇州二葉製藥有限公司)****	PRC/ Chinese Mainland	RMB118,420	—	65	Manufacture and trading of medicine
Jiangsu Huanghe Pharmaceutical Co., Ltd. ("Huanghe Pharma") (江蘇黃河藥業股份有限公司)****	PRC/ Chinese Mainland	RMB55,070	—	51	Manufacture and trading of medicine

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Company name*	Place of incorporation/ registration and business	Nominal value of issued/registered share capital ('000)	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Breas Medical Holdings AB ("Breas")	Sweden	Not applicable	—	44	Manufacture and trading of medical devices
Gland Pharma Limited ("Gland Pharma")	India	Not applicable	—	74	Manufacture and trading of medicine
Tridem Pharma S.A.S ("Tridem Pharma")	France	Not applicable	—	82	Manufacture and trading of medicine
Shenzhen Hengsheng Hospital ("Hengsheng Hospital") (深圳恒生醫院)****	PRC/ Chinese Mainland	RMB60,000	—	59.36	Healthcare services

* The English names of the companies registered in the PRC represent the best efforts made by the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

** These subsidiaries are registered as wholly-owned enterprises under PRC law.

*** These subsidiaries are registered as Sino-foreign equity joint ventures under PRC law.

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

***** Anhui Jimin Cancer Hospital is registered as a non-profit medical institution under PRC law.

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

There was no subsidiary that had a non-controlling interest that was material to the Group during the year.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain equity investments 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 December2019. 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.

2.2 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

Financial impact at 1 January 2019 (Continued)

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 recognised 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.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 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 or 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.

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

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

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

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

Business combinations and goodwill

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

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

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

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

 (i) has control or joint control over the Group;

 (ii) has significant influence over the Group; or

 (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(b) (Continued)

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

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Land	Indefinite
Buildings	10 to 45 years
Plant and machinery	3 to 16 years
Medical devices	5 to 10 years
Office equipment	2 to 15 years
Motor vehicles	3 to 10 years
Leasehold improvements	The shorter of the lease terms and their useful lives

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Trademarks

Trademarks with finite useful lives are measured initially at cost and are amortised on the straight-line basis over the respective estimated useful lives of 10 years. Trademarks with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful lives of trademarks are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Medicine licences, technical know-how and operating concession rights

Medicine licences with finite useful lives are measured initially at cost and are amortised on the straight-line basis over the respective estimated useful lives of 10 years. Medicine licences, technical know-how and operating concession rights with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful lives of medicine licences, technical know-how and operating concession rights are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Patents

Purchased patents are stated at cost less any impairment losses and are amortised on the straight-line basis over the respective estimated useful lives of 5 to 20 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Office software

Purchased office software is stated at cost less any impairment losses and is amortised on the straight-line basis over the estimated useful life of 2 to 10 years.

Business networks

Business networks are stated at cost less any impairment losses and are amortised on the straight-line basis over the respective estimated useful lives.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

Leases (applicable from 1 January 2019)

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

Group as a lessee

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

At inception or on reassessment of a contract that contains a lease component and non-lease components, the Group separate lease component and the associated non-lease components (e.g., property management services for leases of properties) and account for the lease component.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (applicable from 1 January 2019) (Continued)

Group as a lessee (Continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 to 20 years
Leasehold land	20 to 50 years
Plant machinery	5 to 10 years
Motor vehicles	3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

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

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

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (applicable from 1 January 2019) (Continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases (applicable before1 January 2019)

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Impairment of financial assets

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

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade and bill receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade and bill receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables.

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

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

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

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

Derecognition of financial liabilities

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting of financial instruments

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

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps to hedge its interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Treasury shares

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. Cost of inventories includes the transfer from equity of gains and losses on qualifying cash flow hedges in respect of the purchases of raw materials.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and bank balances

For the purpose of the consolidated statement of cash flows, cash and bank balances comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits.

Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain medical devices and the provision of services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries or areas in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) *Sale of industrial products*

Revenue from the sale of industrial products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the industrial products.

(b) *Healthcare services, technology transfer services and consigned processing services*

Revenue from rendering healthcare services, technology transfer services and consigned processing services is recognised at the point in time when the services were completed. As the customers can not control the service or consume the benefit and have no obligation to pay until each service completed and accepted.

(c) *Rendering of technical consultancy services and maintenance services*

Revenue from rendering technical consultancy services and maintenance services is recognised over time, as the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract liabilities

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

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Share-based payments

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

The cost of equity-settled transactions with employees and non-employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes option pricing model.

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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Retirement benefits

The full-time employees of the Group in the PRC are covered by various government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. The Group contributes a percentage of the employees' salaries to these retirement benefit schemes on a monthly basis. Under these schemes, the Group has no legal obligation for retirement benefits beyond the contributions made. Contributions to these schemes are expensed as incurred.

Accommodation benefits

According to the relevant PRC rules and regulations, the PRC companies now comprising the Group and their employees are each required to make contributions which are in proportion to the salaries and wages of the employees to an accommodation fund administered by government agencies in the PRC. There is no further obligation on the part of the Group except for such contributions to the accommodation fund. Contributions to an accommodation fund administered by government agencies are charged to the statement of profit or loss as and when they are incurred.

Borrowing costs

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

Dividends

Final dividends and interim dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 17 to the financial statements.

Provision for expected credit losses on trade and bills receivables

The Group uses a provision matrix to calculate ECLs for trade and bills receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade and bill receivables cost is disclosed in note 25 to the financial statements, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Leases — Estimating the incremental borrowing rate

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

Impairment of non-financial assets (other than goodwill)

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

Business combinations and goodwill

When the Group completes a business combination, the identifiable assets acquired and the liabilities assumed are recognised at their fair value. Management estimation is required to determine the fair values of the assets acquired, the liabilities assumed, and the purchase consideration, and on the allocation of the purchase consideration to the identifiable assets and liabilities. The fair values of the identifiable assets acquired and the liabilities assumed are determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable market where possible, but where this is not feasible, a degree of judgement and estimation is required in establishing fair values. Management must estimate the expected future cash flows and discount rate in order to calculate the fair values.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and sale. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customers' needs and prices change when the products' expiration date is approaching. Management reassesses these estimates at the end of the reporting period.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Useful lives of intangible assets (other than goodwill)

The Group determines the estimated useful lives for its intangible assets. This estimate is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the amortisation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Unrecognised deductible temporary differences and tax losses are set out in note 23 to the financial statements.

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding to future economic benefits.

4. OPERATING SEGMENT INFORMATION

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

(a) the pharmaceutical manufacturing and Research and Development ("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 equipment 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 resources 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 equity investments designated at fair value through other comprehensive income, fair value gain or loss from financial assets at fair value through profit or loss as well as head office and corporate 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 corporate 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 corporate liabilities as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2019

	Pharma-ceutical 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 costs	(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 costs							(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 cost of sales, selling and distribution expenses, administrative expenses and research and development expenses.

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

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2018

	Pharma-ceutical 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 costs	(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 costs							(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 cost of sales, selling and distribution expenses, administrative expenses and research and development expenses.

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

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2019 RMB'000	2018 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 RMB'000	2018 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.

5. REVENUE

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

	2019 RMB'000	2018 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

5. REVENUE (Continued)

(i) Disaggregated revenue information

Year ended 31 December 2019

Segments	Pharma-ceutical 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	Total RMB'000
Type of goods or services						
Sale of medical 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
Timing of revenue recognition						
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

5. REVENUE (Continued)

(i) Disaggregated revenue information (Continued)

Year ended 31 December 2018

Segments	Pharma-ceutical 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	Total RMB'000
Type of goods or services						
Sale of medical 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

5. REVENUE (Continued)

(i) Disaggregated revenue information (Continued)

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 RMB'000	2018 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 RMB'000	2018 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.

6. OTHER INCOME

	2019 RMB'000	2018 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

7. PROFIT BEFORE TAX

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

	Notes	2019 RMB'000	2018 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 *(note 10)*):			
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	40	109,066	72,328
		5,007,734	4,001,612
Research and development expenses:			
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	15	926,245	887,151
Amortisation of other intangible assets	18	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	25 & 26	97,114	27,162
Provision for impairment of goodwill	17	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)	16	158,139	29,384
Lease payments not included in the measurement of lease liabilities		30,010	—
Fair value gain on financial assets at fair value through profit or loss	8	(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 expenses to which they relate. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the consolidated statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

8. 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 disposal of items of property, plant and equipment and other intangible assets	**7,728**	—
Fair value gain 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

9. FINANCE COSTS

	2019	2018
	RMB'000	RMB'000
Interest on bank loans and other borrowings (excluding lease liabilities)	**1,068,815**	937,579
Interest on lease liabilities	**25,451**	—
Less: Interest capitalised *(note 15)*	**(19,576)**	(7,921)
Interest expenses, net	**1,074,690**	929,658

10. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2019 RMB'000	2018 RMB'000
Fees	1,202	1,200
Other emoluments:		
Salaries, allowances and benefits in kind	12,965	16,991
Performance-related bonuses	14,016	17,134
Pension scheme contributions	198	200
Equity-settled share incentive scheme expense	—	836
	28,381	36,361

During the year and in prior years, restricted A-shares were granted to an executive director in respect of his services to the Group, further details of which are included in the disclosures in note 40 to the financial statements. The fair value of these restricted A-shares, which has been recognised in the statement of profit or loss over the lock-up period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the executive directors' remuneration disclosures below.

(a) Independent non-executive directors

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

	2019 RMB'000	2018 RMB'000
Mr. Cao Huimin*	146	300
Mr. Jiang Xian	300	300
Dr. Huang Tianyou	300	300
Mr. Wei Shaokun**	146	300
Mr. Tang Guliang***	155	—
Ms .Li Ling****	155	—
	1,202	1,200

* Mr. Cao Huimin retired as an independent non-executive director of the Company in June 2019.

** Mr. Wei Shaokun retired as an independent non-executive director of the Company in June 2019.

*** Mr. Tang Guliang was elected as an independent non-executive director of the Company in June 2019.

**** Ms .Li Ling was elected as an independent non-executive director of the Company in June 2019.

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

10. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

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

	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension scheme contributions RMB'000	Share incentive scheme expense RMB'000	Total remuneration RMB'000
2019						
Executive directors						
Mr. Chen Qiyu	—	4,675	6,572	49	—	11,296
Mr. Yao Fang	—	4,815	2,909	49	—	7,773
Mr. Wu Yifang	—	—	—	—	—	—
	—	9,490	9,481	98	—	19,069
Non-executive directors						
Mr. Xu Xiaoliang*	—	—	—	—	—	—
Mr. Wang Qunbin	—	—	—	—	—	—
Mr. Liang Jianfeng**	—	—	—	—	—	—
Mr. Wang Can	—	—	—	—	—	—
Ms. Mu Haining	—	—	—	—	—	—
Mr. Zhang Xueqing	—	—	—	—	—	—
	—	—	—	—	—	—
Supervisors						
Ms. Ren Qian	—	962	503	49	—	1,514
Mr. Guan Yimin	—	—	—	—	—	—
Mr. Cao Genxing	—	—	—	—	—	—
	—	962	503	49	—	1,514
Chief Executive						
Mr. Wu Yifang	—	2,512	4,032	49	—	6,593
	—	12,964	14,016	196	—	27,176
2018						
Executive directors						
Mr. Chen Qiyu	—	4,731	9,470	50	—	14,251
Mr. Yao Fang	—	4,009	5,305	50	536	9,900
Mr. Wu Yifang	—	—	—	—	—	—
	—	8,740	14,775	100	536	24,151
Non-executive directors						
Mr. Guo Guangchang***	—	—	—	—	—	—
Mr. Wang Qunbin	—	—	—	—	—	—
Ms. Kang Lan****	—	—	—	—	—	—
Mr. Wang Can	—	—	—	—	—	—
Ms. Mu Haining	—	—	—	—	—	—
Mr. Zhang Xueqing	—	—	—	—	—	—
	—	—	—	—	—	—
Supervisors						
Mr. Li Chun*****	—	202	660	—	69	931
Ms. Ren Qian******	—	921	739	50	36	1,746
Mr. Guan Yimin	—	—	—	—	—	—
Mr. Cao Genxing	—	—	—	—	—	—
	—	1,123	1,399	50	105	2,677
Chief Executive						
Mr. Wu Yifang	—	7,128	960	50	195	8,333
	—	16,991	17,134	200	836	35,161

* Mr. Xu Xiaoliang was elected as a non-executive director of the Company in March 2019.
** Mr. Liang Jianfeng was elected as a non-executive director of the Company in March 2019.
*** Mr. Guo Guangchang retired as a non-executive director of the Company in March 2018.
**** Ms. Kang Lan retired as a non-executive director of the Company in March 2018.
***** Mr. Li Chun retired as a supervisor of the Company in January 2018.
****** Ms. Ren Qian was elected as Chairman of the Board of supervisor in January 2018.

There was no arrangement under which a director, a supervisor or the chief executive waived or agreed to waive any remuneration during the year (2018: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors including the chief executive (2018: three directors including the chief executive), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining two (2018: two) highest paid employees who are not a director, supervisor, or the chief executive of the Company are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	5,668	3,537
Performance-related bonuses	11,571	9,220
Pension scheme contributions	210	100
Equity-settled share incentive scheme expense	—	130
	17,449	12,987

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

	Number of employees 2019	2018
HKD6,000,001 to HKD6,500,000	—	1
HKD8,500,001 to HKD9,000,000	1	1
HKD10,500,001 to HKD11,000,000	1	—
	2	2

12. 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., 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, was based on a statutory rate of 34.94% from 1 April 2018 to 31 March 2019 and is based on a statutory rate of 25.17% after 31 March 2019.

12. INCOME TAX (Continued)

	2019 **RMB'000**	2018 RMB'000
Current	**791,919**	665,717
Deferred *(note 23)*	**(9,688)**	(106,006)
Total tax charge for the year	**782,231**	559,711

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate applicable in Chinese Mainland to the tax expense at the Group's effective tax rate is as follows:

	2019 **RMB'000**	2018 RMB'000
Profit before tax	**4,525,753**	3,579,593
Tax at the statutory tax rate	**1,084,431**	949,929
Lower tax rates for certain entities	**(208,175)**	(245,443)
Adjustments in respect of current tax of previous years	**8,890**	(67,959)
Profit attributable to joint ventures and associates	**(372,566)**	(353,298)
Income not subject to tax	**(29,558)**	(5,831)
Expenses not deductible for tax	**47,462**	58,985
Influence of the change of tax rate on the deferred income tax balance	**(183,707)**	5,046
Tax losses utilised from previous periods	**(31,459)**	(18,805)
Tax incentives on eligible expenditures	**(84,330)**	(64,230)
Deductible temporary differences and tax losses not recognised	**551,243**	301,317
Tax charge at the Group's effective rate	**782,231**	559,711

13. DIVIDENDS

Cash dividend

	2019 RMB'000	2018 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 RMB0.39 (inclusive of tax) for each ordinary share to all shareholders. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and the final dividend amount will be determined by the number of the ordinary shares on the dividend payment date.

The amount of the proposed final dividend of 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.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent excluding cash dividend attributable to the shareholders of restricted shares expected to be unlocked in the future as of the end of the reporting period 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 amount 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.

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

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

	2019 RMB'000	2018 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 of 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 diluted earnings per share calculation	2,562,898,545	2,523,167,776

15. PROPERTY, PLANT AND EQUIPMENT

	Year ended 31 December 2019								
	Land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Medical devices RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:									
At 31 December 2018	170,098	4,892,501	5,213,297	584,721	535,709	123,223	171,311	2,039,800	13,730,660
Effect of adoption of HKFRS 16	—	—	(89,088)	—	—	—	—	—	(89,088)
At 1 January 2019	170,098	4,892,501	5,124,209	584,721	535,709	123,223	171,311	2,039,800	13,641,572
Additions	—	25,813	315,946	132,827	99,858	8,026	115,907	1,801,119	2,499,496
Acquisitions of subsidiaries *(note 37)*	—	771,053	201,939	—	21,948	4,561	1,102	32	1,000,635
Disposals	—	(16,769)	(142,315)	(39,902)	(20,609)	(22,014)	(2,562)	(99,635)	(343,806)
Disposal of a subsidiary *(note 38)*	—	—	(55)	(989)	(68)	—	(1,338)	—	(2,450)
Transferred from construction in progress	18,079	127,980	421,398	15,024	5,228	3,701	—	(591,410)	—
Exchange	(133)	(1,341)	(1,278)	(355)	303	(160)	—	—	(2,964)
At 31 December 2019	188,044	5,799,237	5,919,844	691,326	642,369	117,337	284,420	3,149,906	16,792,483
Accumulated depreciation:									
At 31 December 2018	—	(1,176,590)	(2,523,372)	(389,869)	(265,558)	(75,218)	(76,111)	—	(4,506,718)
Effect of adoption of HKFRS 16	—	—	64,872	—	—	—	—	—	64,872
At 1 January 2019	—	(1,176,590)	(2,458,500)	(389,869)	(265,558)	(75,218)	(76,111)	—	(4,441,846)
Depreciation charge for the year *(note 7)*	—	(244,750)	(461,661)	(88,954)	(69,737)	(12,720)	(48,423)	—	(926,245)
Acquisitions of subsidiaries *(note 37)*	—	(692,329)	(190,918)	—	(15,533)	(2,515)	(22)	—	(901,317)
Disposals	—	7,709	119,938	38,654	17,323	18,171	824	—	202,619
Disposal of a subsidiary *(note 38)*	—	—	48	—	62	—	—	—	110
Exchange realignment	—	619	159	(19)	29	60	—	—	848
At 31 December 2019	—	(2,105,341)	(2,990,934)	(440,188)	(333,414)	(72,222)	(123,732)	—	(6,065,831)
Impairment losses:									
At 1 January 2019	—	(3,272)	(2,144)	—	(276)	—	—	—	(5,692)
Provisions	—	(4,962)	(15)	—	—	—	—	—	(4,977)
Disposals	—	4,962	15	—	—	—	—	—	4,977
At 31 December 2019	—	(3,272)	(2,144)	—	(276)	—	—	—	(5,692)
Net carrying amount:									
At 31 December 2019	188,044	3,690,624	2,926,766	251,138	308,679	45,115	160,688	3,149,906	10,720,960
At 1 January 2019	170,098	3,712,639	2,687,781	194,852	269,875	48,005	95,200	2,039,800	9,218,250

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Year ended 31 December 2018								
	Land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Medical devices RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:									
At 1 January 2018	180,453	4,326,548	5,035,867	505,454	403,227	104,921	84,819	1,759,866	12,401,155
Additions	—	207,249	270,102	66,289	144,988	13,879	79,085	1,165,700	1,947,292
Acquisitions of subsidiaries	—	71,651	21,101	37,009	5,824	7,177	12,670	4,336	159,768
Disposals	—	(126,998)	(366,842)	(28,169)	(21,857)	(9,196)	(5,263)	(78,375)	(636,700)
Disposal of a subsidiary	—	(23,123)	(57,231)	—	(4,041)	(436)	—	—	(84,831)
Transferred from construction in progress	—	444,932	347,311	4,135	8,151	7,198	—	(811,727)	—
Exchange	(10,355)	(7,758)	(37,011)	3	(583)	(320)	—	—	(56,024)
At 31 December 2018	170,098	4,892,501	5,213,297	584,721	535,709	123,223	171,311	2,039,800	13,730,660
Accumulated depreciation:									
At 1 January 2018	—	(1,026,218)	(2,390,553)	(311,648)	(202,178)	(64,177)	(47,841)	—	(4,042,615)
Depreciation charge for the year	—	(224,624)	(457,388)	(86,794)	(77,663)	(13,849)	(26,833)	—	(887,151)
Acquisitions of subsidiaries	—	(4,203)	(12,204)	(15,097)	(1,589)	(4,052)	(2,640)	—	(39,785)
Disposals	—	65,921	305,268	23,672	16,036	6,739	1,203	—	418,839
Disposal of a subsidiary	—	10,368	17,367	—	118	32	—	—	27,885
Exchange realignment	—	2,166	14,138	(2)	(282)	89	—	—	16,109
At 31 December 2018	—	(1,176,590)	(2,523,372)	(389,869)	(265,558)	(75,218)	(76,111)	—	(4,506,718)
Impairment losses:									
At 1 January 2018	—	(3,272)	(2,144)	—	(276)	—	—	—	(5,692)
Disposals	—	—	—	—	—	—	—	—	—
At 31 December 2018	—	(3,272)	(2,144)	—	(276)	—	—	—	(5,692)
Net carrying amount:									
At 31 December 2018	170,098	3,712,639	2,687,781	194,852	269,875	48,005	95,200	2,039,800	9,218,250
At 1 January 2018	180,453	3,297,058	2,643,170	193,806	200,773	40,744	36,978	1,759,866	8,352,848

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The carrying amounts of construction in progress of the Group included capitalised interest of approximately RMB19,576,000 (2018: RMB7,921,000) charged for the year (note 9) prior to being transferred to property, plant and equipment.

The net carrying amount of the Group's property, plant and equipment held under finance leases included in the total amounts of plant and machinery at 31 December 2018 was RMB24,217,000.

As at 31 December 2019, the Group has not obtained title certificates for certain of the buildings with an aggregate net carrying amount of approximately RMB74,010,000 (2018: RMB82,483,000). The directors were of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2019.

As at 31 December 2019, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB133,710,000 (2018: RMB215,801,000) were pledged to secure certain of the Group's bank and other borrowings (note 31).

As at 31 December 2019, the net carrying values of the group's property, plant and equipment leased out for operating purposes are as follows:

	2019 RMB'000	2018 RMB'000
Buildings	129,631	109,857
Plant and equipment	599	628
	130,230	110,485

16. LEASE

The Group as a lessee

The Group has lease contracts for various items of land, buildings, plant and machinery and motor vehicles used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 20 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings have lease terms between 2 to 20 years, plant and machinery generally have lease terms between 5 and 10 years, while motor vehicles generally have lease terms of 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

(a) Prepaid land lease payments (before 1 January 2019)

	2018 RMB'000
Net carrying amount at 1 January	1,324,409
Additions	224,226
Acquisitions of subsidiaries	7,148
Disposals	(714)
Disposal of subsidiaries	(2,933)
Amortisation for the year *(note 7)*	(29,384)
Net carrying amount at 31 December	1,522,752

As at 31 December 2018, certain of the Group's prepaid land lease payments with a net carrying amount of RMB30,431,000were pledged to secure certain of the Group's bank and other borrowings.

16. LEASE (Continued)

The Group as a lessee (Continued)

(b) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Prepaid Land lease payments RMB'000	Total RMB'000
As at 1 January 2019	378,239	24,217	11,412	1,522,752	1,936,620
Additions	202,022	46,295	6,037	290,582	544,936
Additions as a result of acquisition of a subsidiary *(note 37)*	—	—	—	134,970	134,970
Disposal	(4,767)	—	—	—	(4,767)
Depreciation charge	(119,361)	(15,195)	(5,224)	(18,359)	(158,139)
Effect of foreign exchange rate changes, net	720	—	402	—	1,122
As at 31 December 2019	456,853	55,317	12,627	1,929,945	2,454,742

As at 31 December 2019, certain of the Group's prepaid land lease payments with a net carrying amount of RMB303,453,000 were pledged to secure certain of the Group's bank and other borrowings (note 31).

(c) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2019 Lease Liabilities RMB'000	2018 Finance lease payables RMB'000
Carrying amount at 1 January	**412,221**	9,955
New leases	**246,744**	18,316
Accretion of interest recognised during the year	**25,451**	311
Payments	**(135,361)**	(6,013)
Effect of foreign exchange rate changes, net	**4,919**	—
As at 31 December 2019	**553,974**	22,569
Analysed into:		
Current portion	**143,786**	3,776
Non-current portion	**410,188**	18,793

Included in the Group's lease liabilities are amounts due to the Group's other related companies of RMB17,446,000.

The maturity analysis of lease liabilities is disclosed in note 31 to the financial statements.

16. LEASE (Continued)

The Group as a lessee (Continued)

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

	2019 RMB'000
Interest on lease liabilities	25,451
Depreciation charge of right-of-use assets	158,139
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019	28,499
Expense relating to leases of low-value assets	1,511
Total amount recognised in profit or loss	213,600

The Group as a lessor

The Group leases part if its buildings, plant and equipment (note 15) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB39,981,000 (2018: RMB34,167,000), details of which are included in note 5 to the financial statements.

At 31 December 2019, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019 RMB'000	2018 RMB'000
Within one year	28,752	34,725
After one year but within two years	14,069	14,669
After two years but within three years	14,069	13,186
Over three years	28,646	21,943
	85,536	84,523

17. GOODWILL

	2019 RMB'000	2018 RMB'000
Cost and net carrying amount at 1 January	8,853,913	8,464,284
Acquisitions of subsidiaries *(note 37)*	171,555	309,466
Disposal of subsidiaries	—	(19,636)
Provision for impairment of goodwill	(75,000)	(80,000)
Consideration adjustment	(22,000)	—
Exchange realignment	85,522	179,799
Net carrying amount at 31 December	9,013,990	8,853,913

	2019 RMB'000	2018 RMB'000
At 31 December		
Cost	9,371,490	9,136,413
Accumulated impairment	(357,500)	(282,500)
Net carrying amount	9,013,990	8,853,913

17. GOODWILL (Continued)

	2019 RMB'000	2018 RMB'000
Goodwill of Jiangsu Wanbang	**51,109**	51,109
Goodwill of Hongqi Pharma	**205,952**	205,952
Goodwill of Aohong Pharma (including List Pharma)##	**946,231**	852,999
Goodwill of Dalian Aleph	**183,920**	183,920
Goodwill of Zhongwu Hospital	**69,125**	69,125
Goodwill of Alma@##	**775,707**	743,635
Goodwill of Dongting Pharma	**298,517**	298,517
Goodwill of Chancheng Hospital	**273,427**	273,427
Goodwill of Huanghe Pharma	**59,244**	59,244
Goodwill of Erye Pharma	**503,373**	503,373
Goodwill of QiLu Clinical Laboratory	**55,454**	55,454
Goodwill of Breas@	**291,666**	285,646
Goodwill of Gland Pharma@	**3,975,961**	3,909,509
Goodwill of Tridem Pharma#	**171,701**	172,400
Goodwill of Hengsheng Hospital	**636,933**	636,933
Goodwill of Zhuhai Jiqun Warehouse & Logistic Co.,Ltd.*/ Zhuhai Chancheng Hospital Co., Ltd.* ("Zhuhai Jiqun")	**56,852**	71,852
Goodwill of Liaoning Xinxing Pharmaceutical Co., Ltd.* ("Tieling Xinxin")	**123,915**	123,915
Goodwill of Wuhan Jihe Hospital* ("Jihe Hospital")	**105,507**	105,507
Goodwill of other subsidiaries	**229,396**	251,396
	9,013,990	8,853,913

@ Goodwill of Alma, Breas and Gland Pharma is measured in USD.

Goodwill of Tridem Pharma is measured in EUR.

The additions of the Group's goodwill in 2019 resulted from the acquisitions of Nova Medical Israel Ltd.("Nova") and Chengdu List Pharmaceutical Co., Ltd. ("List Pharma").

* The English names of the companies registered in the PRC represent the best efforts made by the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

17. GOODWILL (Continued)

Impairment testing of goodwill

Movements in the provisions for impairment of goodwill are as follows:

2019	At beginning of year RMB'000	Additions RMB'000	Disposals RMB'000	At end of year RMB'000
Provisions for impairment of:				
Goodwill of Dalian Aleph	202,500	—	—	202,500
Goodwill of Zhuhai Jiqun	—	15,000	—	15,000
Goodwill of Aohong Pharma	—	60,000	—	60,000
Goodwill of Breas	80,000	—	—	80,000
	282,500	75,000	—	357,500

2018	At beginning of year RMB'000	Provisions RMB'000	Disposals RMB'000	At end of year RMB'000
Provisions for impairment of:				
Goodwill of Dalian Aleph	202,500	—	—	202,500
Goodwill of Breas	—	80,000	—	80,000
	202,500	80,000	—	282,500

The cash flows generated from each subsidiary acquired are independent from those of the other subsidiaries of the Group. Therefore, each of these acquired subsidiaries is a separate cash-generating unit. Management considered that the synergies arising from each acquisition mainly benefited the corresponding acquired subsidiary. Therefore, in performing the impairment test, the goodwill generated from each acquisition is allocated to the corresponding subsidiary acquired. The cash-generating units are consistent with the prior years' and those as acquired.

Assumptions were used in the value-in-use calculation of all the cash-generating units for 31 December 2019 and 31 December 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(1) The Group under evaluation continues to operate and there are no major changes affecting the key aspects of production and operations and the current situation in terms of business scope, sales model, channels and management.

(2) The socio-economic environment in which the group under evaluation is located does not cause major changes and there are no major changes in relevant laws, regulations, policies and regulations.

(3) The business scope, operating mode, and management mode of the group under evaluation are consistent and continuously improve with the development of the economy

(4) The interest rate, exchange rate, tax base and tax rate will not change significantly within the normal range prescribed by the state.

17. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

The growth rates beyond the forecast period — The growth rates beyond the forecast period are the rate of inflation.

The values assigned to key assumptions on market development of the related products and industry are consistent with historical experience of the Group and external information sources.

Pharmaceutical manufacturing and R&D

The goodwill arising from pharmaceutical manufacturing and R&D segment is allocated to the corresponding subsidiaries, and each subsidiary is recognised as an asset group for goodwill impairment test. The recoverable amount of the goodwill asset group is determined by the carrying amount of the estimated future cash flows of the asset group according to the cash flow projection based on a 5 to 9 year financial budget. The growth rate of income during the projection period is 3% to 65%, and the discount rate used for the cash flow projections of the asset group is 16% to 18%, which infer that the inflation rate after the projection period is 3%.

Goodwill of Gland Pharma

Gland Pharma, founded in 1978 and headquartered in Hyderabad, India, is a generic injection company with R&D capabilities for original pharmaceuticals and preparations. At present, it mainly provides manufacturing services of generic injection for large-scale pharmaceutical companies worldwide. Gland Pharma is the first Indian manufacturer of injectable pharmaceuticals approved by United States Food and Drug Administration, and has the ability to register and sell drugs in the regulatory markets. Its products are mainly sold to the United States and Europe. The Group regularly evaluates the above-mentioned operating activities and, unifies the resource allocation based on the evaluation results. Therefore, Gland Pharma as a whole is recognized as an asset group. According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of the Gland Pharma's asset group. The Group believes that there is no impairment of the goodwill during 2019.

Goodwill of Aohong Pharma

Aohong Pharma is a biopharmaceutical company. The major products of which include Deproteinised calf blood serum injection (Adegold) and Hemocoagulase for injection (Bangting). In 2019, Aohong Pharm obtained first class listed pharmaceutical chemicals Penehyclidine hydrochloride injection (Changtuoning) through acquiring Chengdu List Pharmaceutical Co., Ltd. (hereinafter called the "List Pharm"). Meanwhile, Aohong Pharm recombined its own business with those of List Pharm, improving the strategic layout by transferring the production of Changtonin and integrate the sales channels. The group will have overall assessment for mentioned-above operating activities regularly, and allocate resources accordingly; therefore, Aohong Pharm is regarded as an asset group.

17. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Pharmaceutical manufacturing and R&D (Continued)

Goodwill of Aohong Pharma (Continued)

In July 2019, the general office of National Health Commission published notice regarding the "The first batch of medicine catalogue which required special monitoring about the rational use of medicine", and Adegold of Aohong Pharm is listed in the catalogue, for which certain influence on the future revenue and profitability of Adegold is anticipated. In order to adapt itself to policy change, Aohong Pharm has already started the strategic transition, centralizing the resources to improve the R&D project and accelerating the progress of innovating new medicine (current innovative medicine include anti-cancer drug such as FCN411 and FCN437). Importing oversea listed product from various channels, finding new growth point of profit. By the end of 2019, FCN411 was in the first stage of clinical phase in Chinese Mainland (Hong Kong, Macao and Taiwan are not included, the same below), FCN437 was in the first stage of clinical phase in China and the U.S. By the report date, the Dexrazoxane for Injection and Zoledronic acid injection imported from Gland Pharma Limited has been applied for the registration of Imported Drug License (IDL) and Zoledronic Acid Concentrated Solution for Injection has been applied for Clinical Trial Application (CTA). Moreover, various projects of R&D about the highly difficult generic drug were moving forward.

After the impairment test, the Group recognised an impairment loss of RMB60,000,000 in 2019.

Goodwill of Erye Pharma

Erye Pharma is a comprehensive pharmaceutical company that produces APIs, powder injections (including penicillins, cephalosporins), freeze-dried powders and oral preparations. All of the company's dosage forms Erye Pharma certified by the national GMP. The Group regularly evaluates the above-mentioned business activities and, unifies the resource allocation based on the evaluation results. Therefore, Erye Pharma as a whole is recognised as an asset group. According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of the Erye Pharma's asset group. The Group believes that there is no impairment of the goodwill during 2019.

Goodwill of Dalian Aleph

Dalian Aleph is a high-tech enterprise specialising in the R&D, production, and sales of preventive biological products. It is also the research base of a specific biological topic of the national science and technology plan. At present, Dalian Aleph's production workshops mainly include the influenza vaccine stock solution workshop and the rabies vaccine stock solution production workshop. At the same time, it has a R&D laboratory in the double D port bio-industry park in the development zone as an incubation base for subsequent R&D products. The Group regularly evaluates the above-mentioned operating activities and, unifies the resource allocation based on the evaluation results. Therefore, Dalian Aleph as a whole is recognised as an asset group. According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of the Dalian Aleph's asset group at the end of 2019. The Group believes that there is no further impairment of the goodwill during 2019.

For the Group's calculation of the present value (recoverable amount) of the estimated future cash flows of the above four asset groups is also referred to the results of Shanghai Orient Appraisal Co., Ltd.'s report on 26 March 2020 No. 0319 of Orient Appraisal Evaluation Report [2020] "The assessment report of the recoverable amount of 12 related asset groups for the purpose of financial reporting of Shanghai Fosun Pharmaceutical (Group) Co., Ltd."

17. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Medical devices and medical diagnosis

The goodwill arising from medical devices and medical diagnostics segment is allocated to the corresponding subsidiaries, and the subsidiary is recognised as an asset group for goodwill impairment test. The recoverable amount of the goodwill asset group is determined based on the present value of the asset group's estimated future cash flows, and its estimated future cash flows are determined based on a nine-year financial budget. The growth rate of sales revenue during the period was 3% to 35%, and the discount rate used for cash flow projections is 15% to 17%, which is used to infer that the cash flow growth rate after the projection period is 3%, which is the inflation rate.

Goodwill of Alma

Alma is a manufacturer of medical lasers, photonics and Radio Frequency equipment in Israel. Its medical laser and optical equipment is mainly used in dermatology, orthopedics, burn surgery, laser and many other fields, and Alma is dedicated to provide the comprehensive solution with core of top technology for the medical beauty market. Alma ranks in the forefront of the medical beauty market, and has formed a strong competitive advantage in design capabilities, cost control, and customer base. The Group regularly evaluates the above-mentioned business activities and, unifies resource allocation based on the evaluation results. Therefore, Alma as a whole is recognised as an asset group. According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of the Alma's asset group. The Group believes that there is no impairment of the goodwill during 2019.

Goodwill of Breas

Breas is a company specialising in the production of respiratory medical equipment formed in Gothenburg, Sweden. It provides innovative products for the global market in the field of home medical mechanical ventilation care and treatment of sleep-disordered diseases. The business covers more than 40 countries and regions, and Breas' products include 3 series and 11 products. The Group regularly evaluates the overall business activities of Breas and, unifies the resource allocation based on the evaluation result. Therefore, Breas as a whole is recognised as an asset group. According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of Breas' asset group at the end of 2019. The Group believes that there is no further impairment of the goodwill during 2019.

For the Group's calculation of the present value (recoverable amount) of the expected future cash flows of the above two asset groups is also referred to the results of Shanghai Orient Appraisal Co., Ltd.'s reports on 16 March 2020, No.0254 of Orient Appraisal Evaluation Report [2020] "The recoverable value assessment report about the related asset group of Alma Lasers, Ltd. for the purpose of financial reporting on Shanghai Fosun Pharmaceutical (Group) Co., Ltd." and report on 26 March 2020 No.0319 of Orient Appraisal Evaluation Report [2019] "The recoverable value assessment report about the 12 related asset groups for the purpose of financial reporting on Shanghai Fosun Pharmaceutical (Group) Co., Ltd."

17. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Healthcare service

The goodwill arising from healthcare service segment is allocated to the corresponding subsidiary, and the subsidiary of goodwill is recognised as an asset group for goodwill impairment test. The recoverable amount of the goodwill asset group is determined by the present value of the estimated future cash flows of the asset group according to the cash flow projections based on a nine-year financial budget. The growth rate of income during the projection period is 5% to 134%, and the discount rate used for asset group cash flow projections is 16% to 18%, which infer that the inflation rate after the projection period is 3%.

Goodwill of Chancheng Hospital

Chancheng Hospital is a large-scale modern comprehensive hospital integrating medical treatment, first aid, prevention, health care, teaching and scientific research in downtown Foshan. Chancheng Hospital is mainly engaged in healthcare service and is a Grade-A Tertiary Hospital. In 2018, Chancheng Hospital passed the JCI certification of the International Hospital with high marks, becoming the first Grade-A Tertiary General Hospital in the country to certified the sixth edition of the JCI standard. The Group regularly evaluates the above-mentioned operating activities, based on this, unifies the resource allocation. Chancheng Hospital specialises in healthcare service and generates operating cash flow independently. Therefore, Chancheng Hospital as a whole is recognised as an asset group. According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of the Chancheng Hospital's asset group. The Group believes that there is no impairment of the goodwill during 2019.

Goodwill of Hengsheng Hospital

Hengsheng Hospital is a large-scale modern comprehensive Tertiary Hospital approved by the Health Commission of Guangdong Province, which integrates medical treatment, scientific research, teaching, rehabilitation and preventive health care. It is mainly engaged in healthcare service and is the designated medical institution for social medical insurance in Shenzhen. Shenzhen Workers' Injury Insurance Hospital, Shenzhen Children's Medical Insurance Hospital, Shenzhen 120 Emergency Medical Center Network Hospital, Shenzhen Hospital Association First Board of Directors, Shenzhen Baoan District Science Education Base, China Cervical Cancer Prevention and Control Project Hospital. The Group regularly evaluates the above-mentioned operating activities, unifies resource allocation based on the evaluation results. Hengsheng Hospital specialises in healthcare service and generates operating cash flow independently. Therefore, Hengsheng Hospital as a whole is recognised as an asset group. According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of the Hengsheng Hospital's asset group. The Group believes that there is no impairment of the goodwill arising during 2019.

Goodwill of Zhuhai Jiqun

Zhuhai Jiqun's wholly-owned subsidiary, Zhuhai Chancheng Hospital Co., Ltd. ("Zhuhai Chancheng Hospital") is a secondary general hospital located in Zhuhai. In the past two years, Zhuhai Chancheng Hospital's business development, revenue and profit were lower than the expectation on acquisition date. After considering the influence of Zhuhai Chancheng Hospital's brand, service, medical market and other factors comprehensively, the Group calculate the recoverable amount of the asset group which adopt the present value of the estimated future cash flows.

After the impairment test, the Group recognised an impairment loss of RMB15,000,000 in 2019.

The Group's calculation of the present value (recoverable amount) of the estimated future cash flows of the above three asset groups is also referred to the results of Shanghai Orient Appraisal Co., Ltd.'s reports on 26 March 2020 No. 0319 of Orient Appraisal Evaluation Report [2020] "The assessment report of the recoverable amount of 12 related asset groups for the purpose of financial reporting of Shanghai Fosun Pharmaceutical (Group) Co., Ltd."

18. OTHER INTANGIBLE ASSETS

	Year ended 31 December 2019							
	Medicine licences RMB'000	Patents and technical know-how RMB'000	Office software RMB'000	Trademarks RMB'000	Business networks RMB'000	Deferred development costs RMB'000	Operating concession rights RMB'000	Total RMB'000
Cost:								
At 1 January 2019	589,805	3,614,874	142,769	279,923	1,759,141	2,042,482	426,610	8,855,604
Additions	—	55,374	31,945	382	—	1,421,828	—	1,509,529
Acquisition of subsidiaries *(note 37)*	11,684	110,100	8,192	—	228,808	29,396	—	388,180
Transfer	329,909	26,950	—	—	—	(356,859)	—	—
Disposals	—	—	(3,082)	—	—	(84,919)	—	(88,001)
Disposal of subsidiaries *(note 38)*	—	—	(600)	—	—	—	—	(600)
Exchange realignment	—	(813)	(242)	1,923	35	—	—	903
At 31 December 2019	931,398	3,806,485	178,982	282,228	1,987,984	3,051,928	426,610	10,665,615
Accumulated amortisation:								
At 1 January 2019	(20,825)	(591,701)	(76,376)	(2,494)	(404,193)	(1,711)	(3,850)	(1,101,150)
Amortisation for the year *(note 7)*	(22,598)	(262,099)	(36,216)	(308)	(114,874)	—	—	(436,095)
Acquisition of subsidiaries *(note 37)*	—	(717)	(8,191)	—	—	—	—	(8,908)
Disposals	—	—	629	—	—	—	—	629
Disposal of subsidiaries *(note 38)*	—	—	208	—	—	—	—	208
Exchange realignment	—	(110)	1,324	(2)	(176)	—	—	1,036
At 31 December 2019	(43,423)	(854,627)	(118,622)	(2,804)	(519,243)	(1,711)	(3,850)	(1,544,280)
Impairment losses:								
At 1 January 2019 and 31 December 2019	(64,000)	(20,614)	—	—	—	—	(475)	(85,089)
Net carrying amount:								
At 31 December 2019	823,975	2,931,244	60,360	279,424	1,468,741	3,050,217	422,285	9,036,246
At 1 January 2019	504,980	3,002,559	66,393	277,429	1,354,948	2,040,771	422,285	7,669,365

18. OTHER INTANGIBLE ASSETS (Continued)

	Year ended 31 December 2018							
	Medicine licences RMB'000	Patents and technical know-how RMB'000	Office software RMB'000	Trademarks RMB'000	Business networks RMB'000	Deferred development costs RMB'000	Operating concession rights RMB'000	Total RMB'000
Cost:								
At 1 January 2018	583,283	3,602,490	115,460	268,496	1,695,832	1,028,120	424,810	7,718,491
Additions	2,187	51,713	38,712	3,215	19,800	1,027,223	1,800	1,144,650
Acquisition of subsidiaries	—	108,571	260	—	59,900	—	—	168,731
Transfer	4,325	7,050	—	—	—	(11,375)	—	—
Disposals	—	(21,974)	(13,304)	—	—	(1,486)	—	(36,764)
Disposal of subsidiaries	—	(57,017)	—	—	—	—	—	(57,017)
Exchange realignment	10	(75,959)	1,641	8,212	(16,391)	—	—	(82,487)
At 31 December 2018	589,805	3,614,874	142,769	279,923	1,759,141	2,042,482	426,610	8,855,604
Accumulated amortisation:								
At 1 January 2018	(13,902)	(386,477)	(55,059)	(2,318)	(221,314)	(1,711)	(2,485)	(683,266)
Amortisation for the year *(note 7)*	(6,923)	(216,946)	(30,258)	(146)	(174,743)	—	(1,365)	(430,381)
Acquisition of subsidiaries	—	(361)	(160)	—	(666)	—	—	(1,187
Disposals	—	8,191	10,821	—	—	—	—	19,012
Disposal of subsidiaries	—	9,219	—	—	—	—	—	9,219
Exchange realignment	—	(5,327)	(1,720)	(30)	(7,470)	—	—	(14,547)
At 31 December 2018	(20,825)	(591,701)	(76,376)	(2,494)	(404,193)	(1,711)	(3,850)	(1,101,150)
Impairment losses:								
At 1 January 2018 and 31 December 2018	(64,000)	(20,614)	—	—	—	—	(475)	(85,089)
Net carrying amount:								
At 31 December 2018	504,980	3,002,559	66,393	277,429	1,354,948	2,040,771	422,285	7,669,365
At 1 January 2018	505,381	3,195,399	60,401	266,178	1,474,518	1,026,409	421,850	6,950,136

18. OTHER INTANGIBLE ASSETS (Continued)

As at 31 December 2019, the indefinite-life intangible assets of the Group are as follows:

Asset types	Holders	Net carrying amount RMB'000	Reasons of indefinite life
Medicine licences	Aohong Pharma, Dalian Aleph, Dongting Pharma, Hongqi Pharma, Erye Pharma	495,000	The extension cost is low and the assets can be used indefinitely
Trademarks	Aohong Pharma, Dalian Aleph, Dongting Pharma, Huanghe Pharma, Erye Pharma	53,000	The extension cost is low and the assets can be used indefinitely
Trademarks	CML, Alma	201,962	The extension cost is low and the assets can be used indefinitely
Operating concession rights	Hengsheng Hospital	421,710	The extension cost is low and the assets can be used indefinitely
Patents and technical know-how	Henlix	48,921	The extension cost is low and the assets can be used indefinitely
		1,220,593	

The Group performs impairment tests for the above individual intangible assets or the respective cash-generating units depending on whether the recoverable amounts of individual intangible assets can be reliably estimated.

Medicine licences

The recoverable amounts of medicine licences have been determined based on a value-in-use calculation using cash flow projections based on a financial budget covering a period of five to nine years period approved by senior management. The discount rates applied to the cash flow projections are in the range of 16% to 18%. The growth rate used to extrapolate the cash flows beyond the forecast period is 3%, which is also an estimate of the rate of inflation.

18. OTHER INTANGIBLE ASSETS (Continued)

Trademarks

The recoverable amounts of trademarks have been determined based on a value-in-use calculation using cash flow projections based on a financial budget covering a period of five to nine years period approved by senior management. The discount rates applied to the cash flow projections are in the range of 16% to 18%. The growth rate used to extrapolate the cash flows beyond the five-year is 3%, which is also an estimate of the rate of inflation.

Operating concession rights

The recoverable amounts of operating concession rights have been determined based on a value-in-use calculation using cash flow projection based on a financial budget covering a nine-year period approved by senior management. The discount rate applied to the cash flow projection is 18%. The growth rate used to extrapolate the cash flows beyond the forecast period is 3%, which is also an estimate of the rate of inflation.

Assumptions were used in the value-in-use calculation for 31 December 2019 and 31 December 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of indefinite-life intangible assets:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

Discount rates — The discount rates used are the rates of return on investment required by the Group.

The growth rates beyond the forecast period — The growth rates beyond the forecast period are the rates of inflation.

The values assigned to key assumptions are consistent with historical experience of the Group and external information sources.

19. INVESTMENTS IN JOINT VENTURES

	2019 RMB'000	2018 RMB'000
Share of net assets	243,438	308,673
Goodwill on acquisition	137,894	137,894
	381,332	446,567

Particulars of the Group's principal joint venture are as follows:

Company name	Place of registration and business	Nominal value of issued/ registered share capital ('000)	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Fosun Kite Biotechnology Co., Ltd.*	PRC/ Chinese Mainland	USD56,000	50	50	50	Research and development of medicine

* The English name of the company registered in the PRC represents the best efforts made by the management of the Company in directly translating the Chinese name of this company as no English name has been registered.

The above investment in joint venture is indirectly held by the Company.

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

	2019 RMB'000	2018 RMB'000
Share of the joint ventures' loss for the year	(64,599)	(50,441)
Share of the joint ventures' other comprehensive loss	(783)	—
Share of the joint ventures' total comprehensive loss	(65,382)	(50,441)
Aggregate carrying amount of the Group's investments in the joint ventures	381,332	446,567

20. INVESTMENTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Share of net assets	**18,842,349**	18,305,782
Goodwill on acquisition	**1,955,441**	2,626,891
	20,797,790	20,932,673
Provision for impairment	**(306,233)**	(8,600)
	20,491,557	20,924,073

Movements in the provisions for impairment of investment in associates are as follows:

2019	**At beginning of year RMB'000**	**Additions RMB'000**	**Disposals RMB'000**	**At end of year RMB'000**
Provisions for impairment of:				
Sovereign Medical Services, Inc.	—	**110,850**	—	**110,850**
Amerigen Pharmaceuticals Ltd.	—	**81,355**	—	**81,355**
EOS Imaging	—	**38,525**	—	**38,525**
Qianglong Furniture Co., Ltd.	**8,600**	—	—	**8,600**
Others	—	**66,903**	—	**66,903**
	8,600	**297,633**	—	**306,233**

2018	At beginning of year RMB'000	Additions RMB'000	Disposals RMB'000	At end of year RMB'000
Provisions for impairment of:				
Qianglong Furniture Co., Ltd.	8,600	—	—	8,600

20. INVESTMENTS IN ASSOCIATES (Continued)

Particulars of the Group's principal associates are as follows:

Company name*	Place of incorporation/ registration and business	Nominal value of issued/registered share capital ('000)	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Sinopharm Industrial Investment Co., Ltd. (國藥產業投資有限公司)#	PRC/ Chinese Mainland	RMB100,000	49	—	Manufacture and trading of medicine
Tianjin Pharmaceutical Group Co., Ltd. (天津藥業集團有限公司)#	PRC/ Chinese Mainland	RMB674,970	25	—	Manufacture and sale of medicine
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (北京金象復星醫藥股份有限公司)#	PRC/ Chinese Mainland	RMB127,418	50	—	Distribution and retail of medicine
Chengde Jingfukang Pharmaceutical Co., Ltd. (頸復康藥業集團有限公司)#	PRC/ Chinese Mainland	RMB60,000	—	25	Manufacture and trading of medicine
Nature's Sunshine Products, Inc. ("NSP")#/@	U.S.A./U.S.A.	Not applicable	15.26	—	Manufacture and trading of nutrition products
Sinopharm medical investment management co., Ltd. (國藥控股醫療投資管理有限公司)#	PRC/ Chinese Mainland	RMB1,000,000	45	—	Investment management
New Frontier Health Corporation ("NFH")@	Cayman Islands/ Chinese Mainland	Not applicable	—	7.16	Healthcare services
Amerigen Pharmaceuticals Ltd. ("AMG")#	Cayman Islands/ Chinese Mainland and U.S.A.	Not applicable	—	23.75	Research and development of medicine
Sovereign Medical Services, Inc. ("SMS")	U.S.A./U.S.A.	Not applicable	30	—	Healthcare services
Fosun Group Finance Corporation Limited ("Fosun Finance")	PRC/ Chinese Mainland	RMB1,500,000	20	—	Advisory on deposits and loans, finance and funding, for Fosun Group member companies
Saladax Biomedical, Inc. ("Saladax")#	U.S.A./U.S.A.	USD26,000	28.5	—	Diagnosis and detection
We Doctor Group Limited ("掛號網")#/@	Cayman Islands/ Chinese Mainland	Not applicable	—	7.9636	Heath consultation services

20. INVESTMENTS IN ASSOCIATES (Continued)

Particulars of the Group's principal associates are as follows: (Continued)

Company name*	Place of incorporation/ registration and business	Nominal value of issued/registered share capital ('000)	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Fosun Health Finance Leasing (Shanghai) Co., Ltd. (復星康健融資租賃(上海)有限公司)	PRC/ Chinese Mainland	RMB100,000	—	20	Finance Leasing
Huaihai Hospital Management (Xuzhou) Co., Ltd. (淮海醫院管理(徐州)有限公司)	PRC/ Chinese Mainland	RMB714,290	—	35	Investment management
Shanghai Lingjian Information Technology Co., Ltd (上海領健信息技術有限公司)#	PRC/ Chinese Mainland	RMB14,765	—	27.37	Heath consultation services
Shanghai Dihuixin Medical Devices Co., Ltd (廣州迪會信醫療器械有限公司)#	PRC/ Chinese Mainland	RMB260,000	—	28	Manufacture devices
Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd. (直觀復星醫療器械技術(上海)有限公司)#	PRC/ Chinese Mainland	USD100,000	40	—	Manufacture devices
Intuitive Surgical-Fosun (Hongkong) Co., Ltd. (直觀復星(香港)有限公司) #	PRC/ Hong Kong	USD5,000	—	40	Manufacture devices

* The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

The statutory financial statements of these associates were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

@ The Group's investments in these associates are accounted for under the equity method of accounting because the Group has significant influence over these entities by way of representation on the board of directors and participation in the policy-making process, despite the fact that the Group's direct or indirect equity interests in these associates were lower than 20% for the year ended 31 December 2019.

The above table lists the associates of the Group which, in the opinion of the directors of the Company, principally affected the results of the Group for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

20. INVESTMENTS IN ASSOCIATES (Continued)

Sinopharm Industrial Investment Co., Ltd. ("Sinopharm Industrial"), which is considered a material associate of the Group, has significant impact on the share of profits and losses of associates and is accounted for using the equity method.

The following table illustrates the summarised financial information of Sinopharm Industrial, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2019	2018
	RMB'000	RMB'000
Revenues	**425,272,726**	344,525,821
Profit for the year	**10,633,828**	9,419,136
Other comprehensive loss	**(3,668)**	(15,081)
Total comprehensive income for the year	**10,630,160**	9,404,055
Profit for the year attributable to owners of the parent of Sinopharm Industrial	**3,310,689**	3,101,479
Current assets	**229,675,022**	204,374,173
Non-current assets	**40,168,938**	31,360,068
Current liabilities	**(178,380,630)**	(160,076,137)
Non-current liabilities	**(14,220,244)**	(7,101,005)
Net assets	**77,243,086**	68,557,099
Net assets attributable to owners of the parent of Sinopharm Industrial	**25,466,012**	23,043,294
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**49%**	49%
Group's share of net assets of the associate	**12,478,346**	11,291,214
Goodwill on acquisition (less cumulative impairment)	**—**	—
Carrying amount of the investment	**12,478,346**	11,291,214
Dividend received by the Group	**455,700**	436,100

20. INVESTMENTS IN ASSOCIATES (Continued)

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

	2019 RMB'000	2018 RMB'000
Share of the associates' loss for the year	**(126,224)**	(120,287)
Share of the associates' other comprehensive losses	**(44,019)**	(85,015)
Share of the associates' total comprehensive losses	**(170,243)**	(205,302)
Aggregate carrying amount of the Group's investments in the associates	**8,013,211**	9,632,859

21. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 RMB'000	2018 RMB'000
Equity investments designated at fair value through other comprehensive income		
Listed equity investments, at fair value		
Check-cap Limited	**1,554**	2,157
Unlisted equity investments, at fair value		
Maxigen Biotech Inc	**51,898**	40,908
Tyto Care Limited	**38,246**	37,626
Qingdao Hengda Company Limited	**15,000**	15,000
Others	**1,011**	30,622
	106,155	124,156
	107,709	126,313

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the year ended 31 December 2019, the Group received dividends in the amounts of RMB797,000 and RMB79,000 from Maxigen Biotech Inc, and others respectively.

22. OTHER NON-CURRENT ASSETS

	2019 **RMB'000**	2018 RMB'000
Prepayments for purchase of items of property, plant and equipment	**344,495**	251,252
Prepayments for acquisitions	**17,163**	19,163
Deposits for purchase of prepaid land lease payments	**124,889**	323,637
Prepayments for purchase of other intangible assets	**498,713**	219,766
Prepayments for deferred development costs	**13,296**	28,659
Loans to a joint venture	**188,840**	67,562
Others	**86,209**	142,533
	1,273,605	1,052,572

23. DEFERRED TAX

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

Deferred tax assets

	Losses available for offsetting against future taxable profits RMB'000	**Lease liabilities** RMB'000	**Provision for impairment of assets** RMB'000	**Depreciation and amortisation** RMB'000	**Accrued expenses** RMB'000	**Unrealised profit** RMB'000	**Deferred income** RMB'000	**Fair value adjustments arising from acquisitions of subsidiaries** RMB'000	**Total** RMB'000
Gross deferred tax assets at 1 January 2018	5,750	—	35,333	1,685	65,624	21,567	68,576	—	198,535
Acquisitions of subsidiaries	—	—	743	—	964	—	—	—	1,707
Deferred tax (charged)/credited to the statement of profit or loss during the year	7,113	—	7,271	(1,391)	15,339	(5,759)	3,468	—	26,041
Gross deferred tax assets at 31 December 2018	12,863	—	43,347	294	81,927	15,808	72,044	—	226,283
Gross deferred tax assets at 1 January 2019	12,863	—	43,347	294	81,927	15,808	72,044	—	226,283
Acquisitions of subsidiaries *(note 37)*	—	—	1,932	—	—	—	—	8,798	10,730
Deferred tax credited/(charged) to the statement of profit or loss during the year	181	1,346	5,575	1,687	1,643	5,955	220	(93)	16,514
Gross deferred tax assets at 31 December 2019	13,044	1,346	50,854	1,981	83,570	21,763	72,264	8,705	253,527

23. DEFERRED TAX (Continued)

Deferred tax liabilities

	Deemed disposal of associates RMB'000	Fair value adjustments arising from financial assets at fair value through profit or loss RMB'000	Fair value adjustments of equity investment designated of fair value RMB'000	Fair value adjustments arising from acquisitions of subsidiaries RMB'000	Depreciation RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2018	1,165,833	25,559	100	1,680,430	158,408	3,030,330
Acquisitions of subsidiaries	—	—	—	44,154	6,076	50,230
Deferred tax credited to the statement of profit or loss during the year	(218)	13	—	(98,361)	18,601	(79,965)
Deferred tax charged/(credited) to reserves during the year	—	—	(47)	—	—	(47)
Exchange differences	—	—	—	(39,041)	—	(39,041)
Gross deferred tax liabilities at 31 December 2018	1,165,615	25,572	53	1,587,182	183,085	2,961,507
Gross deferred tax liabilities at 1 January 2019	1,165,615	25,572	53	1,587,182	183,085	2,961,507
Acquisitions of subsidiaries *(note 37)*	—	—	—	80,657	—	80,657
Deferred tax (credited)/charged to the statement of profit or loss during the year	(1,095)	—	—	19,955	(12,034)	6,826
Deferred tax charged to reserves during the year	—	—	10	—	—	10
Exchange differences	—	—	—	2,480	—	2,480
Gross deferred tax liabilities at 31 December 2019	1,164,520	25,572	63	1,690,274	171,051	3,051,480

23. DEFERRED TAX (Continued)

Net deferred tax assets and net deferred tax assets as at the respective reporting dates are as follows:

	2019		2018	
	Offset amount RMB'000	Net amount RMB'000	Offset amount RMB'000	Net amount RMB'000
Deferred tax assets	57,432	196,095	53,148	173,135
Deferred tax liabilities	57,432	2,994,048	53,148	2,908,359

Deferred tax assets have not been recognised in respect of the following items as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the following items can be utilised:

	2019 RMB'000	2018 RMB'000
Tax losses	3,682,974	2,895,931
Deductible temporary differences	355,147	248,010
	4,038,121	3,143,941

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

24. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	1,473,290	1,333,739
Work in progress	649,652	597,397
Finished goods	1,771,292	1,296,738
Spare parts and consumables	88,555	83,631
Others	38,670	46,588
	4,021,459	3,358,093
Less: Provision	(80,922)	(70,701)
	3,940,537	3,287,392

25. TRADE AND BILLS RECEIVABLES/DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 RMB'000	2018 RMB'000
Trade receivables	**4,367,600**	3,623,640
Bills receivable	**240,122**	712,511
	4,607,722	4,336,151

	2019 RMB'000	2018 RMB'000
Debt investments at fair value through other comprehensive income	**445,103**	—

If an entity's business model for the management of bank notes is aimed at both the collection of contract cash flows and the sale, it is classified as a financial asset measured at fair value through other comprehensive income.

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

An ageing analysis of trade receivables, based on the invoice date and net of loss allowance, as at the respective reporting dates is as follows:

	2019 RMB'000	2018 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
Less: Loss allowance for impairment	**(222,601)**	(157,028)
	4,367,600	3,623,640

25. TRADE AND BILLS RECEIVABLES/DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

Movements in the loss allowance for impairment of trade receivables are as follows:

	2019 RMB'000	2018 RMB'000
At beginning of year	157,028	135,454
Effect of adoption of HKFRS 9	—	27,061
At beginning of year (restated)	157,028	162,515
Impairment losses, net	86,089	7,402
Amounts written off as uncollectible	(20,516)	(12,889)
At end of year	222,601	157,028

The increase (2018: increase) in the loss allowance was due to the following significant changes in the gross carrying amount:

(i) Decrease in the loss allowance of RMB35,112,000 (2018: RMB26,268,000) as a result (2018: decrease) of the settlement of trade receivables;

(ii) Increase in the loss allowance of RMB121,201,000 as a result of an increase in trade receivables which were past due for over 3 months (2018: increase in the loss allowance of RMB33,670,000 as a result of an increase in trade receivables which were past due for over 3 months); and

(iii) Decrease in the loss allowance of RMB20,516,000 (2018: RMB12,889,000) as a result of the write-off of certain trade receivables.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

25. TRADE AND BILLS RECEIVABLES/DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

		Past due				
	Current	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	**0.21%**	**6.86%**	**63.71%**	**100.00%**	**100.00%**	**4.85%**
Gross carrying amount (RMB'000)	**3,595,997**	**787,754**	**125,379**	**56,613**	**24,458**	**4,590,201**
Expected credit losses (RMB'000)	**7,625**	**54,027**	**79,878**	**56,613**	**24,458**	**222,601**

As at 31 December 2018

		Past due				
	Current	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	1.48%	5.92%	42.29%	100.00%	100.00%	4.15%
Gross carrying amount (RMB'000)	2,679,707	1,004,253	67,141	12,450	17,117	3,780,668
Expected credit losses (RMB'000)	39,609	59,458	28,394	12,450	17,117	157,028

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Included in the Group's trade receivables are amounts due from the Group's associates of RMB793,562,000 (2018: RMB510,355,000), the Group's joint ventures of RMB982,000 (2018: RMB1,180,000) and other related companies of RMB3,023,000 (2018: RMB10,953,000).There was no bills receivable due from the Group's associates (2018: RMB133,926,000). Included in the Group's debt investments at fair value through other comprehensive income are amounts due from the Group's associates of RMB172,720,000 (2018: nil). These balances due from associates, joint ventures and other related companies were trade in nature, non-interest-bearing and collectible on credit terms similar to those offered to the major customers of the Group.

As at 31 December 2019, trade receivables with a book value of RMB8,146,000 (2018: RMB20,300,000) were used to obtain bank loans.

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019 **RMB'000**	2018 RMB'000
Advances to suppliers	**415,675**	472,145
Deposits	**81,402**	79,078
Other receivables	**962,154**	694,696
	1,459,231	1,245,919
Impairment allowance	**(39,144)**	(30,381)
	1,420,087	1,215,538

An ageing analysis of prepayments, other receivables and other assets as at the respective reporting dates, net of loss allowance, is as follows:

	2019 **RMB'000**	2018 RMB'000
Within 1 year	**1,331,500**	1,174,609
1 to 2 years	**81,706**	45,287
2 to 3 years	**24,445**	10,635
Over 3 years	**21,580**	15,388
	1,459,231	1,245,919
Less: Loss allowance for impairment of other receivables	**(39,144)**	(30,381)
	1,420,087	1,215,538

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

The changes in the impairment allowance for other receivables based on 12-month and the entire life expectancy expected credit losses are as follows:

	Stage 1 12-month ECLs RMB'000	**Stage 2 Lifetime ECLs RMB'000**	**Stage 3 Lifetime ECLs RMB'000**	**Total RMB'000.**
at 1 January 2019	**30,381**	**—**	**—**	**30,381**
The balance of 1 January 2019 in this year	**—**	**—**	**—**	**—**
— transfer to the stage 2	**—**	**—**	**—**	**—**
— transfer to the stage 3	**(2,262)**	**—**	**2,262**	**—**
Provision for impairment losses for this year	**12,082**	**—**	**—**	**12,082**
Impairment losses reversed for this year	**(1,057)**	**—**	**—**	**(1,057)**
Amounts written off as uncollectible for this year	**—**	**—**	**(2,262)**	**(2,262)**
	39,144	**—**	**—**	**39,144**

The changes in the impairment allowance for other receivables based on 12-month and the entire life expectancy expected credit losses are as follows:

	Stage 1 12-month ECLs RMB'000	Stage 2 Lifetime ECLs RMB'000	Stage 3 Lifetime ECLs RMB'000	Total RMB'000
at 1 January 2018	12,532	—	—	12,532
The balance of 1 January 2018 in this year	—	—	—	—
— transfer to the stage 2	(1,911)	1,911	—	—
— transfer to the stage 3	—	(1,911)	1,911	—
Provision for impairment losses for this year	20,034	—	—	20,034
Impairment losses reversed for this year	(274)	—	—	(274)
Amounts written off as uncollectible for this year	—	—	(1,911)	(1,911)
	30,381	—	—	30,381

Included in the Group's prepayments, other receivables and other assets are amounts due from the Group's associates of RMB106,101,000 (2018: RMB82,079,000), the Group's joint ventures of RMB22,884,000 (2018: RMB27,873,000) and other related companies of RMB6,400,000 (2018: RMB7,651,000), respectively. These balances were non-interest-bearing and collectible on demand.

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB'000	2018 RMB'000
Listed equity investments, at fair value	614,082	966,638
Other unlisted investments, at fair value	1,825,724	2,155,293
	2,439,806	3,121,931
Current portion	456,651	616,124
Non-current portion	1,983,155	2,505,807

The above equity investments at 31 December 2019 were classified as financial assets at fair value through profit or loss as they were held for trading, or as the group has not elected to recognize the fair value gain or loss through other comprehensive income.

28. CASH AND BANK BALANCES

	2019 RMB'000	2018 RMB'000
Cash on hand	3,102	2,837
Cash at banks, unrestricted	7,301,734	6,640,886
Deposits in Fosun Finance*	979,535	531,282
Cash and cash equivalents as stated in the consolidated statement of cash flows	8,284,371	7,175,005
Pledged bank balances to secure bills payable	705,100	512,197
Term deposits with original maturity of more than three months	543,797	859,320
Cash and bank balances as stated in the consolidated statement of financial position	9,533,268	8,546,522

* Fosun Group Finance Corporation Limited ("Fosun Finance") is a licensed financial institution registered with the China Banking Regulatory Commission. Fosun Finance is a subsidiary of Fosun High Tech. Details of the deposits are given in note 42(d) to the financial statements.

28. CASH AND BANK BALANCES (Continued)

As at 31 December 2019, the cash and bank balances of the Group denominated in foreign currencies amounted to RMB4,396,056,000 (2018: RMB2,042,000,000). The RMB is not freely convertible into other currencies. However, under Chinese Mainland's prevailing rules and regulations over foreign exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between seven days and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. Term deposits with original maturity of more than three months earn interest at fixed interest rates for varying periods of between three months and three years. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. Details of interest earned on deposits in Fosun Finance are set out in note 42(e) to the financial statements.

29. TRADE AND BILLS PAYABLES

	2019 **RMB'000**	2018 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 two-month term.

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

	2019 **RMB'000**	2018 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

Included in the Group's trade payables are amounts due to the Group's associates, joint ventures and other related companies of RMB77,419,000(2018: RMB69,705,000), Nil (2018: RMB1,179,000) and RMB446,000 (2018: RMB1,395,000), respectively. These balances due to associates, joint ventures and other related companies were trade in nature, non-interest-bearing and repayable on credit terms similar to those offered by the associates, joint ventures and other related companies to their major customers.

30. OTHER PAYABLES AND ACCRUALS

	Notes	**31 December 2019 RMB'000**	1 January 2019 RMB'000	31 December 2018 RMB'000
Payables relating to purchases of items of property, plant and equipment		**193,678**	208,853	208,853
Deposits received		**533,890**	553,992	553,992
Payroll		**697,397**	578,701	578,701
Value-added tax		**244,039**	225,281	225,281
Other taxes		**63,002**	39,970	39,970
Accrued interest expenses		**216,562**	187,344	187,344
Dividends payable to non-controlling shareholders of subsidiaries and shareholders of the Company		**127,956**	125,421	125,421
Other accrued expenses		**2,467,277**	1,542,225	1,542,225
Current portion of deferred warranty revenue *(note 33)*		**—**	—	—
Payables for acquisitions of non-controlling interests, and subsidiaries	(i)	**63,933**	325,585	325,585
Loans from third parties	(ii)	**263,939**	181,660	181,660
Current portion of government grants *(note 33)*		**7,533**	6,913	6,913
Subscription to restricted shares		**209,528**	211,239	211,239
The share redemption option granted to non-controlling shareholders of subsidiaries	(iv)	**209,286**	205,896	205,896
Others	(iii)	**87,873**	28,182	31,958
		5,385,893	4,421,262	4,425,038
Less: Non-current portion of payables for acquisitions of non-controlling interests and subsidiaries *(note 34)*	(i)	**(9,700)**	(112,648)	(112,648)
		5,376,193	4,308,614	4,312,390

Notes:

(i) The balances as at 31 December 2019 mainly represent the cash considerations for the acquisitions of Wuhan Jihe Hospital, Jianyou chengye ,Guangji Hospital and Zhongwu Hospital of RMB35,000,000, RMB17,486,000, RMB7,700,000and RMB2,000,000 rrespectively. The non-current portion of payables for acquisitions of the non-controlling interests and subsidiaries as at 31 December 2019 mainly consists of the non-current portion of unpaid cash considerations of RMB7,700,000 and RMB2,000,000 for the acquisitions of equity interests in Guangji Hospital and Zhongwu Hospital, respectively, which will be paid after 12 months.

(ii) Loans from third parties of RMB263,939,000 as at 31 December 2019 (2018: RMB181,660,000) bear no interest (2018: Nil) and are repayable on demand.

(iii) Other payables are non-interest-bearing and repayable on demand.

Included in the Group's other payables are amounts due to the Group's associates, joint ventures and other related companies of RMB3,172,000 (2018: RMB573,000), RMB6,428,000 (2018: RMB6,512,000) and RMB7,082,000 (2018: RMB14,789,000), respectively. These balances were non-interest-bearing and repayable on demand.

As a result of the initial application of HKFRS 16, finance lease payable of RMB3,776,000 previously included in "Other payables and accruals" were adjusted to the interest-bearing bank and other borrowings recognised at 1 January 2019 (refer to note 2.2 to the financial statements for further details).

(iv) The share redemption option granted to non-controlling shareholders of Breas is RMB209,286,000, represents the liability of the Group to acquire the non-controlling interests owned by the non-controlling shareholders as at 31 December 2019.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2019			1 January 2019	31 December 2018		
	Effective Interest rate (%)	Maturity	RMB'000	RMB'000	Effective Interest rate (%)	Maturity	RMB'000
Current							
Bank loans — unsecured	0.75–5.44	2020	6,288,646	5,567,193	0.45–4.85	2019	5,567,193
Bank loans — secured *(note (a))*	4.00–5.40	2020	60,292	40,000	4.31–5.00	2019	40,000
Current portion of long term							
bank loans — unsecured	0.98–4.75	2020	392,985	1,862,489	0.98–5.70	2019	1,862,489
bank loans — secured *(note (a))*	0.98–7.50	2020	71,933	70,171	0.98–7.50	2019	70,171
Corporate bonds — unsecured	4.50–4.70	2020	1,746,346	2,993,168	3.35–3.35	2019	2,993,168
Lease liability	weighted average 4.72	2020	143,786	86,229			—
			8,703,988	10,619,250			10,533,021
Non-current							
Bank loans — unsecured	1.70–6.20	2021–2026	7,081,083	8,404,516	0.98–5.28	2020–2026	8,404,516
Bank loans — secured *(note (a))*	4.90–7.50	2021–2028	211,961	226,146	0.98–7.50	2020–2021	226,146
Lease liability	weighted average 4.72	2020–2038	410,188	325,992			—
			7,703,232	8,956,654			8,630,662
Corporate bonds *(note (b))*	3.35–5.10	2021–2023	5,283,863	4,039,457	4.47–5.10	2022–2023	4,039,457
			12,987,095	12,996,111			12,670,119
			21,691,083	23,615,361			23,203,140

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	2019 RMB'000	2018 RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**6,813,856**	7,539,853
In the second year	**3,871,902**	3,591,947
In the third to fifth years, inclusive	**3,099,747**	4,944,655
Beyond five years	**321,395**	94,060
	14,106,900	16,170,515
Other borrowings repayable:		
Within one year	**1,890,132**	2,993,168
In the second year	**3,144,237**	—
In the third to fifth years, inclusive	**2,491,769**	4,039,457
Beyond five years	**58,045**	—
	7,584,183	7,032,625
	21,691,083	23,203,140

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Foreign currency loans

	2019 RMB'000	2018 RMB'000
USD:		
Secured	**22,345**	14,902
Unsecured	**7,965,169**	10,396,564
	7,987,514	10,411,466
EUR:		
Secured	**—**	—
Unsecured	**722,339**	733,152
	722,339	733,152
SEK:		
Secured	**—**	10,800
Unsecured	**—**	14,890
	—	25,690
TWD:		
Secured	**2,675**	4,624
Unsecured	**6,629**	11,460
	9,304	16,084

Notes:

(a) Certain of the Group's bank loans are secured by:

(i) mortgages over the Group's buildings, which had an aggregate carrying value at the end of the reporting period of approximately RMB75,895,000 (2018: RMB82,977,000);

(ii) mortgages over the Group's equipment, which had an aggregate carrying value at the end of the reporting period of approximately RMB29,751,000 (2018: 132,824,000);

(iii) mortgages over the Group's prepaid land lease payments, which had an aggregate carrying value at the end of the reporting period of approximately RMB303,453,000 (2018: RMB30,431,000);

(iv) mortgages over the Group's Construction in progress, which had an aggregate carrying value at the end of the reporting period of approximately RMB28,064,000 (2018: Nil); and

(v) the pledge of certain of the Group's trade receivables totalling RMB8,146,000 (2018: RMB20,300,000);

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Foreign currency loans (Continued)

Notes: (Continued)

(b) On 4 March 2016, the Company issued corporate bonds with a maturity of five years in an aggregate amount of RMB3,000,000,000, which bear interest at 4.50% per annum. Interest is payable annually in arrears and the maturity date is 4 March 2021.

On 14 March 2017, the Company issued corporate bonds with a maturity of five years in an aggregate amount of RMB1,250,000,000, which bear interest at 4.50% per annum. Interest is payable annually in arrears and the maturity date is 14 March 2022. Since holders of these corporate bond have the right, at their option, to require the Company to repurchase for cash the corporate bond in whole or in part at the interest payment date of the third interest-bearing year (namely 2020), the corporate bond were present as current liabilities as at December 31, 2019.

On 13 August 2018, the Company issued corporate bonds with a maturity of five years in an aggregate amount of RMB1,300,000,000, which bear interest at 5.10% per annum. Interest is payable annually in arrears and the maturity date is 13 August 2023.

On 30 November 2018, the Company issued corporate bonds with a maturity of four years in an aggregate amount of RMB500,000,000, which bear interest at 4.47% per annum. Interest is payable annually in arrears and the maturity date is 30 November 2022. Since holders of these corporate bonds have the right, at their option, to require the Company to repurchase for cash the corporate bonds in whole or in part at the interest payment date of the third interest-bearing year (namely 2020), the corporate bonds were present as current liabilities as at 31 December 2019.

On 30 November 2018, the Company issued corporate bonds with a maturity of five years in an aggregate amount of RMB1,000,000,000, which bear interest at 4.69% per annum. Interest is payable annually in arrears and the maturity date is 30 November 2023.

32. CONTRACT LIABILITIES

Details of contract liabilities as at 31 December 2019 are as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Warranty services	**56,658**	55,451
Advances from customers	**670,034**	546,959
Total contract liabilities	**726,692**	602,410
Current portion	**503,683**	530,897
Non-current portion	**223,009**	71,513

Contract liabilities include advances received to deliver products and warranty services. The increase in contract liabilities in 2019 was mainly due to the increase in advances received from customers at the end of the year.

Included in the Group's contract liabilities are amounts due to the Group's associates, joint ventures and other related companies of RMB16,889,000 (2018: RMB16,309,000), RMB226,000 (2018: Nil) and RMB5,000 (2018: Nil), respectively. These balances were non-interest-bearing and repayable on demand.

33. DEFERRED INCOME

	Notes	2019 RMB'000	2018 RMB'000
Government grants	(i)	**424,878**	356,421
Less: Government grants classified as current portion *(note 30)*		**(7,533)**	(6,913)
Others		**—**	13,980
		417,345	363,488

Notes:

(i) Government grants were received by the Group as financial subsidies for some research and development projects, industrial development funds and value-added tax refund. Government grants are recognised as income over the periods necessary to match the grants on a systematic basis to the costs that they are intended to compensate. There are no unfulfilled conditions or contingencies relating to these grants.

The movements in government grants during the year are as follows:

	2019 RMB'000	2018 RMB'000
At 1 January	**356,421**	348,935
Additions	**108,430**	47,017
Recognised as income during the year	**(39,973)**	(39,531)
At 31 December	**424,878**	356,421

34. OTHER LONG-TERM LIABILITIES

	Notes	2019 RMB'000	2018 RMB'000
Staff placement fees	(i)	26,964	22,915
Payables for acquisitions of non-controlling interests and subsidiaries	(ii)	9,700	112,648
Share redemption option granted to non-controlling shareholders of subsidiaries	(iii)	2,608,958	2,605,032
Finance lease payable		—	18,793
Loans from third parties		—	29,733
Others		214,548	232,801
		2,860,170	3,021,922

Notes:

(i) Staff placement fees represent liabilities incurred by certain subsidiaries of the Group before 2008 in respect of the retirement benefits of certain employees and retirees.

(ii) Payables for acquisitions of non-controlling interests and subsidiaries as at 31 December 2019 mainly represent the non-current portion of unpaid cash considerations of RMB7,700,000 and RMB2,000,000 for the acquisitions of non-controlling interests in Guangji Hospital and Zhongwu Hospital, respectively, which will be paid after 12 months (note 30(i)).

(iii) The share redemption option granted to non-controlling shareholders of Gland Pharma and Nova, subsidiaries of the Group, amounted to RMB2,556,085,000 and RMB52,873,000, representing a liability of the Group to acquire the non-controlling interests owned by the non-controlling shareholders as at 31 December 2019.

35. SHARE CAPITAL

	2019		2018	
	Number of shares '000	Nominal value RMB'000	Number of shares '000	Nominal value RMB'000
Shares				
Restricted shares				
A Shares of RMB1 each	—	—	100,599	100,599
Unrestricted shares				
A Shares of RMB1 each	2,010,958	2,010,958	1,910,521	1,910,521
H Shares of RMB1 each	551,941	551,941	551,941	551,941
	2,562,899	2,562,899	2,563,061	2,563,061

35. SHARE CAPITAL (Continued)

Movements in the issued share capital during the year were as follows:

		2019		2018	
		Number of shares '000	Nominal value RMB'000	Number of shares '000	Nominal value RMB'000
At 1 January		2,563,061	2,563,061	2,495,131	2,495,131
Issue of H Shares		—	—	68,000	68,000
Repurchase and cancellation of restricted A shares	(i)	(162)	(162)	(70)	(70)
At 31 December		2,562,899	2,562,899	2,563,061	2,563,061

Note:

(i) The Company repurchased and cancelled 162,350 restricted A-shares on 29 April 2019.

36. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity on pages 107 to 108 of the financial statements.

Statutory surplus reserve

According to the relevant PRC regulations and the articles of association of the Company in the PRC, the Company is required to transfer 10% of its profit after income tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of dividends to equity owners. The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital/issued share capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of its registered capital. This reserve is non-distributable other than in liquidation.

37. BUSINESS COMBINATIONS

The major acquisitions of subsidiaries accounted for as business combinations are set out as follows:

In January 2019, Alma Lasers Ltd., a subsidiary of the Group, acquired a 60% equity interest in Nova at a consideration of US$7,884,000 equivalent to RMB53,250,000. The acquisition was completed on 15 January 2019 when the Group obtained control of the operating and financial policies of Nova.

In July 2019, Aohong Pharma, a subsidiary of the Group, acquired a 75.91% equity interest in List Pharma at a consideration of RMB579,633,000. The acquisition was completed on 15 July 2019 when the Group obtained control of the operating and financial policies of List Pharma.

In November 2019, Shandong Erye Pharmaceutical Co., Ltd., a subsidiary of the Group, acquired a 100% equity interest in Shandong Bairui Pharmaceutical Co., Ltd. ("Bairui Pharma"), at a consideration of RMB33,000,000. The acquisition was completed on 21 November 2019 when the Group obtained control of the operating and financial policies of Bairui Pharma.

In November 2019, Yao Pharmaceutical, a subsidiary of the Group, acquired a 100% equity interest in Jiskai (Suzhou) Pharmaceutical Co., Ltd. ("Jisikai Pharma") ("Former GlaxoSmithKline Pharmaceutical (Suzhou) Co., Ltd."), at a consideration of RMB250,000,000. The acquisition was completed on 29 November 2019 when the Group obtained control of the operating and financial policies of Jisikai Pharma.

* The English names of the companies registered in the PRC represent the best efforts made by the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

The above acquisitions were undertaken under the Group's strategy to further improve the Group's pharmaceutical manufacturing, research and development business and expand the business for the Group's healthcare services.

The Group has elected to measure the non-controlling interests in all the subsidiaries acquired at the non-controlling interests' proportionate share of the acquired subsidiaries' identifiable net assets.

37. BUSINESS COMBINATIONS (Continued)

The fair values of the identifiable assets and liabilities of all the subsidiaries acquired during the year ended 31 December 2019 were as follows:

	Notes	**Fair value recognised on acquisition** RMB'000
Property, plant and equipment	15	99,318
Right-of-use assets	16	134,970
Other intangible assets	18	379,272
Deferred tax assets	23	10,730
Inventories		160,315
Trade and bills receivables		161,515
Prepayments, other receivables and other assets		44,073
Cash and bank balances		174,458
Trade and bills payables		(24,473)
Other payables and accruals		(123,367)
Contract liabilities		(23,714)
Interest-bearing bank and other borrowings	39	(7,393)
Deferred tax liabilities	23	(80,657)
Total identifiable net assets at fair value		905,047
Non-controlling interests		(158,614)
Goodwill on acquisitions	17	171,555
Gain on bargain purchase of a subsidiary		(2,105)
		915,883
Satisfied by:		
Cash consideration paid		915,618
Cash consideration payable		265
		915,883

37. BUSINESS COMBINATIONS (Continued)

The fair values of the trade and bills receivables and other receivables as at the dates of acquisitions amounted to RMB161,514,000 and RMB9,766,000, respectively. The gross contractual amount of trade and bills receivables was RMB170,813,000, among which RMB9,299,000 was expected to be uncollectible. The gross contractual amount of other receivables was RMB10,160,000, among which RMB394,000 was expected to be uncollectible.

The Group incurred transaction costs of RMB1,469,000 for these acquisitions. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

The goodwill of RMB171,555,000 recognised above is due to the new markets entered into by the Group to achieve product and business diversification. The above factor is neither separable nor contractual and therefore does not meet the criteria for recognition as intangible assets under HKAS 38 *Intangible Assets*. None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisitions of subsidiaries is as follows:

	RMB'000
Cash consideration paid	(915,618)
Cash and cash equivalents acquired	174,458
	(741,160)
Payment of unpaid cash consideration as at 31 December 2018	(81,505)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(822,665)
Transaction costs of the acquisitions included in cash flows from operating activities	(1,469)
	(824,134)

Since the acquisitions, the acquired subsidiaries contributed RMB271,829,000 to the Group's revenue and RMB50,851,000 to the Group's profit after tax for the year ended 31 December 2019.

Had the combinations taken place at the beginning of the year ended 31 December 2019, the revenue and the profit after tax of the Group for the year ended 31 December 2019 would have been RMB28,814,553,000 and RMB3,835,507,000 , respectively.

38. DISPOSAL OF SUBSIDIARIES

In 2019, the Group entered into equity interest transfer agreements with third parties to dispose of equity interest in Hainan Pengkang Pharmaceutical Co., Ltd.*, Beijing Chindex Denuo Dental Clinic Co., Ltd.*, Hainan Kaiye Pharmaceutical Co., Ltd.* and Chengdu List Drug Research Co., Ltd.* for a consideration of RMB5,170,000.00. These subsidiaries will not be included in the consolidated financial statements of the Group hereafter.

* The English names of the companies registered in the PRC represent the best efforts made by the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

38. DISPOSAL OF SUBSIDIARIES (Continued)

The financial information of above subsidiaries at the date of disposal is as follows:

	Notes	As of the disposal date RMB'000
Net assets disposed of:		
Property, plant and equipment	15	2,340
Other intangible assets	18	392
Investment in an associate		14,150
Trade and bills receivables		4,539
Prepayments, other receivables and other assets		2,559
Cash and cash equivalents		1,208
Other payables and accruals		(3,458)
Contract Liabilities		(4,316)
Deferred tax liabilities		(94)
		17,320
Fair value of the retained interest in a subsidiary disposed of		(6,602)
Loss on disposal of a subsidiary	7	(5,548)
		5,170
Satisfied by:		
Cash consideration received		5,090
Other receivables		80

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	RMB'000
Cash consideration received	5,090
Cash and cash equivalents disposed of	(1,208)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	3,882

39. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

2019

	Bank and other loans RMB'000	Lease liabilities/ Finance lease payables RMB'000	Loans from third parties included in other payables and accruals RMB'000	Loans from third parties included in other long-term liability RMB'000	Interest payable RMB'000
At 31 December 2018	23,203,140	22,569	181,660	29,733	187,344
Effect of adoption of HKFRS 16	—	389,652	—	—	—
At 1 January 2019	23,203,140	412,221	181,660	29,733	187,344
Changes from financing cash flows	(2,337,345)	(135,361)	82,279	(29,733)	—
New leases	—	246,744	—	—	—
Interest paid	—	—	—	—	(1,007,722)
Foreign exchange movement	258,459	4,919	—	—	14,676
Interest expense	5,462	25,451	—	—	1,002,688
Interest capitalised under construction in progress	—	—	—	—	19,576
Increase arising from acquisitions of subsidiaries	7,393	—	—	—	—
At 31 December 2019	21,137,109	553,974	263,939	—	216,562

39. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Changes in liabilities arising from financing activities (Continued)

2018

	Bank and other loans RMB'000	Finance lease payables RMB'000	Loans from third parties included in other payables and accruals RMB'000	Loans from third parties included in other long-term liability RMB'000	Interest payable RMB'000
At 31 January 2018	20,286,908	9,955	178,513	28,768	153,945
Changes from financing cash flows	2,308,968	(6,013)	3,147	965	—
New leases	—	18,316	—	—	—
Interest paid	—	—	—	—	(801,800)
Foreign exchange movement	593,339	—	—	—	(88,504)
Interest expense	4,075	311	—	—	915,782
Interest capitalised under property, plant and equipment	—	—	—	—	7,921
Increase arising from acquisitions of subsidiaries	9,849	—	—	—	—
At 31 December 2018	23,203,139	22,569	181,660	29,733	187,344

(b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flow is as follows:

	2019 RMB'000
Within operating activities	**30,010**
Within financing activities	**135,361**
	165,371

40. SHARE-BASED PAYMENTS

(a) Restricted A-share incentive schemes

The Company adopted a share incentive scheme (the "Restricted A-share Incentive Scheme") for the purpose of further refining the corporate governance structure of the Company, facilitating the establishment of the restricted incentive mechanism, fully motivating the directors and key personnel of the Company, as well as balancing the interests of the shareholders, the Company and management for the long-term development of the Company.

Restricted A-share Incentive Scheme II

The Restricted A-share Incentive Scheme II was approved by the shareholders at the 2015 first extraordinary general meeting of the Company, the A shareholders' class meeting and the H shareholders' class meeting held on 19 November 2015. On 19 November 2015 (the "Date of Grant"), pursuant to the Restricted A-share Incentive Scheme II, 2,695,000 A-shares of the Company were granted to 45 eligible participants of the Restricted A-share Incentive Scheme II at a grant price of RMB10.54 per share.

Restricted Shares granted by the Restricted A-share Incentive Scheme II held by the Share Incentive Participants shall be unlocked in three tranches. When the unlock conditions of the Restricted A-share Incentive Scheme II are fulfilled during each lock-up period, the Share Incentive Participants can apply for the unlocking and trading of those shares. Details of the unlock period and conditions are summarised as follows:

Unlock period	Performance target	% of unlocked shares to the total Restricted A-shares granted
First unlock period: commencing from the first trading day after expiry of the 12-month period from the Date of Grant and ending on the last trading day of the 24-month period from the Date of Grant	Net profit (after extraordinary gain or loss) attributable to the shareholders of the Company for the year 2015 shall not be less than RMB1.56 billion; the operating revenue for the year 2015 shall not be less than RMB12.5 billion; the percentage of the research and development expenditure on pharmaceutical manufacturing segment to the total sales revenue from the pharmaceutical business for the year 2015 shall not be less than 5.0%.	33%
Second unlock period: commencing from the first trading day after expiry of the 24-month period from the Date of Grant and ending on the last trading day of the 36-month period from the Date of Grant	Net profit (after extraordinary gain or loss) attributable to the shareholders of the Company for the year 2016 shall not be less than RMB1.79 billion; the operating revenue for the year 2016 shall not be less than RMB14.4 billion; the percentage of research and development expenditure on the pharmaceutical manufacturing segment to the total sales revenue from the pharmaceutical business for the year 2016 shall not be less than 5.0%.	33%
Third unlock period: commencing from the first trading day after expiry of the 36-month period from the Date of Grant and ending on the last trading day of the 48-month period from the Date of Grant	Net profit (after extraordinary gain or loss) attributable to the shareholders of the Company for the year 2017 shall not be less than RMB2.06 billion; the operating revenue for the year 2017 shall not be less than RMB16.6 billion; the percentage of research and development expenditure on the pharmaceutical manufacturing segment to the total sales revenue from the pharmaceutical business for the year 2017 shall not be less than 5.0%.	34%

40. SHARE-BASED PAYMENTS (Continued)

(a) Restricted A-share incentive schemes (Continued)

Restricted A-share Incentive Scheme II (Continued)

The aggregate fair value of the Restricted Shares granted amounted to approximately RMB68,102,000, of which RMB39,697,000 will be charged to profit or loss and the capital reserve as costs of share-based compensation in aggregate from the Date of Grant to the date on which the unlocking conditions are being fulfilled and the shares may be circulated according to the law, after netting of the total considerations received for the issue of the Restricted Shares amounting to RMB28,405,000. Since the shares of Restricted A-share Incentive Scheme II had been all unlocked during the year ended 31 December 2019, the Group had no restricted share repurchase obligation at the year end. The Group has no expenses recognised for the year ended 31 December 2019 (2018: RMB642,000).

In November 2016, the Company has decided to repurchase and cancel the Restricted A-shares granted to Mr. Bai Huan ("Mr. Bai") and Mr. Chen Yi ("Mr. Chen"), following the resignation of Mr. Bai, and Mr. Chen from their respective positions in the Company or the relevant subsidiary (the "Repurchase"). A total of 37,500 Restricted A-shares, which have been granted to Mr. Bai and Mr. Chen but have not been unlocked, were repurchased and cancelled at a repurchase price of RMB10.54 per share for a total repurchase amount of approximately RMB395,250. The aforementioned repurchased shares have been cancelled on 24 February 2017.

In October 2017, the Company has decided to repurchase and cancel the Restricted A-shares granted to (i) Mr. Dong Zhi Chao ("Mr. Dong") and Mr. Wang Shu Hai ("Mr. Wang"), following the resignation of Mr. Dong and Mr. Wang from their respective positions in the Company or the relevant subsidiary, (ii) Mr. Deng Jie ("Mr. Deng"), since Mr. Deng had not achieved the benchmark of "Pass" in his performance target for the year 2016, which did not meet the incentive criteria (the "Repurchase"). A total of 70,150 Restricted A-shares, which have been granted to Mr. Dong, Mr. Wang and Mr. Deng but have not been unlocked, were repurchased and cancelled at a repurchase price of RMB10.54 per share for a total repurchase amount of approximately RMB739,381. The aforementioned repurchased shares have been cancelled at the year end.

In November 2018, the Company has decided to repurchase and cancel the Restricted A-shares granted to (i) Mr. Li Chun ("Mr. Li"), Mr. Li Dongjiu, Mr. Shao Yin ("Mr. Shao"), Ms. Shi Jiajue ("Ms. Shi"), Ms. Zhou Ting ("Ms. Zhou"), Ms. Yan Jia ("Ms. Yan"), Ms. Zhang Ye ("Ms. Zhang") and Mr. Deng Jie ("Mr. Deng"), following the resignation of them from their respective positions in the Company or the relevant subsidiary, (ii) Mr. Song Dajie ("Mr Song"), since Mr. Song had not achieved the benchmark of "Pass" in his performance target for the year 2017, which did not meet the incentive criteria (the "Repurchase"). A total of 162,350 Restricted A-shares, which have been granted to them but have not been unlocked, were repurchased and cancelled at a repurchase price of RMB10.54 per share for a total repurchase amount of approximately RMB1,711,169. The repurchased shares have been cancelled by the year ended 31 December 2019.

40. SHARE-BASED PAYMENTS (Continued)

(b) A subsidiary's share-based payment

As at 14 April 2018, the second extraordinary general meeting of Henlix, a subsidiary of the Group, passed a share incentive scheme and granted 22,750,000 restricted shares to eligible participants at a price of RMB9.21 per share. Henlix has recognised an amount of RMB123,733,000 as related expenses and R&D investment for the year ended 31 December 2019.

As at 27 June 2019, Gland, a subsidiary of the Group, passed a share incentive scheme and granted 154,650 restricted shares to eligible participants at a price of equivalent RMB540 per share. Gland has recognised an amount of RMB12,084,000 as expenses for the year ended 31 December 2019.

41. COMMITMENTS

(a) The Group had the following capital commitments as at 31 December 2019:

	2019 **RMB'000**	2018 RMB'000
Contracted, but not provided for:		
Prepared land lease payments, plant and machinery	**2,191,767**	1,920,414
Investments in subsidiaries and associates	**929,930**	433,483
Investments in financial assets at fair value through profit or loss	**273,236**	284,476
Authorized, but not signed:		
Prepaid land lease payments, plant and machinery	**4,285,335**	4,651,565
	7,680,268	7,289,938

(b) Operating lease commitments as at 31 December 2018

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2018 RMB'000
Within 1 year	167,470
1 to 3 years, inclusive	172,152
Over 3 years	108,542
	448,164

42. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere, the Group had the following transactions with related parties during the year:

(a) Sales of pharmaceutical products and rendering of services

	2019 RMB'000	2018 RMB'000
Sinopharm Group Co., Ltd and its subsidiaries *(notes 4, 7 & 9)*	**3,134,238**	2,328,131
C.Q. Pharmaceutical Holding Co., Ltd and its subsidiaries *(notes 1, 7 & 11)*	**448,804**	366,319
Intuitive Surgical-Fosun (Hongkong) Co., Ltd. *(notes 1 & 7)*	**217,368**	—
Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd. *(notes 1 & 7)*	**66,288**	861
Zhejiang Di'an Diagnostics Co., Ltd. *(notes 3 & 7)*	**46,203**	36,072
Shanghai Xingyao Medical Technology Development Co., Ltd. *(notes 2 & 7)*	**17,696**	23,484
Shanghai Lingjian Information Technology Co., Ltd *(notes 1 & 7)*	**8,111**	4,396
Shanghai Diai Medical Instrument Co., Ltd *(notes 1 & 7)*	**5,102**	3,668
Healthy Harmony Holdings L.P and its subsidiaries. *(notes 4, 7)*	**4,042**	22,285
Fosun Kite Biological Technology Co., Ltd *(notes 2 & 7)*	**3,573**	406
Jingfukang Pharmaceutical Group Co., Ltd *(notes 1 & 7)*	**3,104**	31
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development *(notes 2 & 7)*	**1,677**	3,034
Fosun International Limited and its subsidiaries *(notes 6, 7, 11 & 12)*	**608**	9,383
CMIC (Suzhou) Pharmaceutical Technology Co., Ltd. *(notes 1 & 7)*	**134**	—
Shanghai Xingmai Information Technology Co., Ltd *(notes 1, 7 & 11)*	**118**	—
Tongde Equity Investment and Management (Shanghai) Co., Ltd. *(notes 5 & 7)*	**36**	40
Integrated Endoscopy, Inc. *(notes 1 & 7)*	**29**	—
Shanghai Qinmiao Technology Co., Ltd *(notes 1, 7 & 11)*	**27**	—
SINNOWA Medical Science & Technology Co., Ltd. *(notes 1 & 7)*	**4**	1
Gland Chemicals Pvt Ltd *(notes 3 & 7)*	**—**	4,644
Shanghai Anbo Pharmaceutical Co., Ltd. *(note 7)*	**—**	11
	3,957,162	2,802,766

42. RELATED PARTY TRANSACTIONS (Continued)

(b) Purchases of pharmaceutical products and rendering of services

	2019 RMB'000	2018 RMB'000
Sinopharm Group Co., Ltd and its subsidiaries *(notes 4, 7 & 9)*	263,224	194,479
Gland Chemicals Pvt Ltd *(notes 3 & 7)*	101,389	101,283
Saladax Biomedical, Inc. *(notes 1 & 7)*	7,520	2,721
Zhejiang Di'an Diagnostics Co., Ltd. *(notes 3 & 7)*	6,591	6,961
Anhui Sunhere Pharmaceuticals Excipients Co., Ltd. *(notes 1 & 7)*	6,254	1,894
C.Q. Pharmaceutical Holding Co., Ltd and its subsidiaries *(notes 1, 7 & 11)*	5,602	—
Shanghai Xingyao Medical Technology Development Co., Ltd. *(notes 2 & 7)*	4,231	2,681
CMIC (Suzhou) Pharmaceutical Technology Co., Ltd. *(notes 1 & 7)*	3,237	2,476
SINNOWA Medical Science & Technology Co., Ltd. *(notes 1 & 7)*	2,710	1,098
Tebon Securities Co. Ltd. *(notes 3 & 7)*	1,620	—
Fosun International Limited and its subsidiaries *(notes 6, 7, 11 & 13)*	1,520	1,096
Fosun United Health Insurance Company Ltd *(notes 7)*	752	95
Shanghai Lingjian Information Technology Co., Ltd *(notes 1 & 7)*	109	15
Yong'an Property Insurance Company Limited *(note 7)*	—	718
Shanghai Yi Xing Sports Development Co., Ltd. *(notes 7 & 18)*	—	1
Guangxi Huahong Pharmaceutical Co., Ltd. *(notes 1 & 7)*	—	1
	404,759	315,519

42. RELATED PARTY TRANSACTIONS (Continued)

(c) Leasing and property management services

As lessor

	2019 RMB'000	2018 RMB'000
Fosun International Limited and its subsidiaries *(notes 6, 8 , 11 & 14)*	**14,638**	14,353
Fosun Kite Biological Technology Co., Ltd *(notes 2 & 8)*	**12,247**	10,183
Shanghai Xingyao Medical Technology Development Co., Ltd. *(notes 2 & 8)*	**1,877**	1,016
Tongde Equity Investment and Management (Shanghai) Co., Ltd. *(notes 5 & 8)*	**907**	803
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development. *(notes 2 & 8)*	**647**	212
Shanghai Qinmiao Technology Co., Ltd *(notes 1, 8 & 11)*	**352**	—
Healthy Harmony Holdings L.P and its subsidiaries. *(notes 4 & 8)*	**264**	—
Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd. *(notes 1 & 8)*	**166**	321
Shanghai Anbo pharmaceutical Co., Ltd. *(note 8)*	**—**	375
	31,098	27,263

As lessee

	2019 RMB'000	2018 RMB'000
Fosun International Limited and its subsidiaries *(notes 6, 8, 11 & 15)*	**5,718**	11,516
Dhananjaya Properties LLP *(notes 3 & 8)*	**230**	246
Sasikala Properties LLP *(notes 3 & 8)*	**83**	88
Shanghai Fosun Bund Property Co., Ltd *(notes 3, 8 & 11)*	**—**	1,000
	6,031	12,850

42. RELATED PARTY TRANSACTIONS (Continued)

(c) Leasing and property management services (Continued)

Management services

	2019 RMB'000	2018 RMB'000
Subsidiaries of Fosun International Limited *(notes 6, 8,11 & 16)*	**7,279**	8,980

(d) Loans from/to related parties

Maximum daily outstanding balance of deposits in Fosun Finance

	2019 RMB'000	2018 RMB'000
Fosun Group Finance Corporation Limited *(notes 10 & 11)*	**979,535**	575,422

The Company entered into a financial service agreement with Fosun Finance, pursuant to which Fosun Finance shall provide financial services to the Company and its subsidiaries, including deposit service, credit service, settlement service and other financial services as approved by the China Banking Regulatory Commission for the period from 1 January 2017 to 31 December 2019. The maximum daily outstanding balance of deposits placed by the Group with Fosun Finance is RMB1,000,000,000. The maximum daily outstanding balance of the loans granted by Fosun Finance to the Group is RMB1,000,000,000.

Loans to Fosun Kite Biological Technology Co., Ltd

	2019 RMB'000	2018 RMB'000
Fosun Kite Biological Technology Co., Ltd *(notes 2 & 11)*	**188,840**	67,562

Industrial Development provided a five-year loans of RMB188,840,000 to Fosun Kite Biological Technology Co., Ltd. The interest rate is 10% higher than the benchmark interest rate for the same period.

Loans to Nature's Sunshine (Far East) Limited

	2019 RMB'000	2018 RMB'000
Nature's Sunshine (Far East) Limited *(note 1)*	**10,556**	10,295

Fosun Industrial provided a one-year loans of RMB10,556,000 to Nature's Sunshine (Far East) Limited. The annual interest rate is 3%.

42. RELATED PARTY TRANSACTIONS (Continued)

(e) Interest income from related parties

	2019 RMB'000	2018 RMB'000
Fosun Group Finance Corporation Limited *(notes 10 & 11)*	**2,825**	4,077
Fosun Kite Biological Technology Co., Ltd *(notes 2 & 11)*	**5,716**	3,218
Nature's Sunshine (Far East) Limited *(note 1)*	**303**	237

The interest rate for deposits in Fosun Finance is made reference to the benchmark interest rates on deposits issued by the People's Bank of China ("PBOC"), and is no less than the higher of (i) the interest rate payable to the Group by the domestic commercial banks; and (ii) that to others by Fosun Finance for the deposit service with similar terms and amounts.

(f) Commitments with related parties

As lessor

As at 31 December 2019, the Group had total future minimum lease receivables under non-cancellable operating leases with its related parties falling due as follows:

	2019 RMB'000	2018 RMB'000
Shanghai Xingyao Medical Technology Development Co., Ltd. *(note 2)*	**29,743**	—
Fosun Kite Biological Technology Co., Ltd *(note 2)*	**26,251**	40,257
Subsidiaries of Fosun International *(note 6)*	**7,704**	17,297
Shanghai Xingmai Information Technology Co., Ltd *(note 1)*	**1,546**	—
Tong De Equity Investment Management (Shanghai) Co., Ltd. *(note 5)*	**993**	950
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development. *(note 2)*	**470**	1,200
Shanghai Qinmiao technology Co., Ltd. *(note 1)*	**—**	557
Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd. *(note 1)*	**307**	173
Healthy Harmony Holdings L.P and its subsidiaries *(note 4 & 8)*	**300**	—
	67,314	60,434

As lessee

As at 31 December 2019, the Group had total future minimum lease payments (not included in the measurement of lease liabilities)under non-cancellable operating leases and a property management service agreement with related parties in respect of land and buildings which fall due as follows:

	2019 RMB'000	2018 RMB'000
Shanghai Fosun Bund Property Co., Ltd *(note 3)*	**—**	20,448
Subsidiaries of Fosun International *(note 6)*	**886**	10,843
	886	31,291

42. RELATED PARTY TRANSACTIONS (Continued)

(f) Commitments with related parties (Continued)

Notes:

(1) They are associates of the Group.

(2) They are joint ventures of the Group.

(3) They are other associates of the Group.

(4) They are the subsidiaries of the Group's associates.

(5) They are the subsidiaries of the Group's joint ventures.

(6) They are the subsidiaries of Fosun International Limited, the holding company of the Company.

(7) The sales and purchases were undertaken on commercial terms similar to those offered to/by unrelated customers/suppliers in the ordinary course of business of the relevant companies.

(8) The fees for the leasing and property management services received from or paid to these related companies were determined based on prices available to third party customers of these related companies.

(9) Sinopharm Group Co., Ltd. is a major subsidiary of Sinopharm Investment, an associate of the Group.

(10) Fosun Finance is a subsidiary of Fosun High Tech, the holding company of the Company.

(11) The related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Group confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of these transactions.

(12) During the year of 2019, the Group offered Fosun International Limited and its subsidiaries with other services at market prices. Fosun International Limited and its subsidiaries include Shanghai Fosun High Tech (Group) Company limited., Shanghai Xingyi Health Management Co., Ltd., Shanghai FuHeng Insurance Broker Co., Ltd., Liangfu Credit Investigation Management Co., Ltd., Shanghai Yunji Information Technology Co., Ltd., Shanghai Ceyuan Estate Broker Co., Ltd., Zhangxingbao (Shanghai) Network Technology Co. Ltd., Shanghai Ziku Information Technology Co., Ltd., Shanghai Xingchong Business Consulting Co., Ltd., Shanghai Xingxin investment Management Co., Ltd, and Shanghai Pingao investment Management Co., Ltd,

(13) During the year of 2019, the Group received services from the subsidiaries of Fosun International Limited at market prices. The subsidiaries of Fosun International Limited include Beijing Golte Property Management Co., Ltd., Shanghai Golte Property Management Co., Ltd., Shanghai Xingyi Health Management Co., Ltd., Shanghai Yunji Information Technology Co., Ltd, Zhejiang Fuyi Cosmetics Co., Ltd, Shanghai New Shihua Investment and Management Co., Ltd.

(14) During the year of 2019, the Group leased out the office buildings to Fosun International Limited and its subsidiaries. Fosun International Limited and its subsidiaries include Shanghai Fosun High Tech (Group) Company limited. Shanghai Xingyi Health Management Co., Ltd., Shanghai Fuheng Insurance Broker Co., Ltd., Shanghai Fosun Venture Capital investment Management Co., Ltd, Liangfu Credit Investigation Management Co., Ltd., Shanghai Yunji Information Technology Co., Ltd., Zhangxingbao (Shanghai) Network Technology Co. Ltd, Shanghai Xingxin investment Management Co., Ltd, and Shanghai Pingao investment Management Co., Ltd.

(15) During the year of 2019, the Group leased office buildings from subsidiaries of Fosun International Limited. The subsidiaries of Fosun International Limited include Shanghai New Shihua Investment and Chuangfu Financial Lease Co., LTD.

(16) During the year of 2019, the Group received management services from a subsidiary of Fosun International Limited. The subsidiary of Fosun International Limited include Shanghai Golte Property Management Co., Ltd and Beijing Golte Property Management Co., Ltd.

(17) Fosun International Limited is the ultimate holding company of the Group.

(18) They are under the same ultimate control of the Group.

42. RELATED PARTY TRANSACTIONS (Continued)

(g) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 25, 26, 29 and 30 to the financial statements.

(h) Compensation of key management personnel of the Group

	2019 **RMB'000**	2018 RMB'000
Salaries, allowances and benefits in kind	**34,822**	36,584
Performance-related bonuses	**42,593**	26,002
Pension scheme contributions	**1,247**	824
Equity-settled share incentive scheme expense	**—**	1,169
	78,662	64,579

Further details of directors', supervisors' and the chief executive's emoluments are included in note 10 to the financial statements.

43. CONTINGENT LIABILITIES

As at 31 December 2019 and 2018, the Group did not have any contingent liabilities.

44. PLEDGE OF ASSETS

Details of the Group's interest-bearing bank and other borrowings, which are secured by the assets of the Group, are included in note 31 to the financial statements.

45. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2019

Financial assets	Financial assets at fair value through profit or loss Mandatorily designated as such RMB'000	Financial assets at fair value through other comprehensive income Debt investments RMB'000	Financial assets at fair value through other comprehensive income Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	—	—	107,709	—	107,709
Financial assets at fair value through profit or loss	2,439,806	—	—	—	2,439,806
Debt investments at fair value through other comprehensive income	—	445,103	—	—	445,103
Trade and bills receivables	—	—	—	4,607,722	4,607,722
Financial assets included in prepayments, other receivables and other assets	—	—	—	498,978	498,978
Other non-current assets	—	—	—	188,840	188,840
Cash and bank balances	—	—	—	9,533,268	9,533,268
	2,439,806	445,103	107,709	14,828,808	17,821,426

Financial liabilities	Financial liabilities at fair value through profit or loss Designated as such up on initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	—	2,397,315	2,397,315
Financial liabilities included in other payables and accruals	209,286*	3,935,690	4,144,976
Interest-bearing bank and other borrowings	—	21,691,083	21,691,083
Financial liabilities included in other long-term liabilities	2,608,958*	223,765	2,832,723
	2,818,244	28,247,853	31,066,097

45. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2018

Financial assets	Financial assets at fair value through profit or loss Mandatorily designated as such RMB'000	Financial assets at fair value through other comprehensive income Debt investments RMB'000	Financial assets at fair value through other comprehensive income Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	—	—	126,313	—	126,313
Financial assets at fair value through profit or loss	3,121,931	—	—	—	3,121,931
Trade and bills receivables	—	—	—	4,336,151	4,336,151
Financial assets included in prepayments, other receivables and other assets	—	—	—	458,861	458,861
Other non-current assets	—	—	—	67,562	67,562
Cash and bank balances	—	—	—	8,546,522	8,546,522
	3,121,931	—	126,313	13,409,096	16,657,340

Financial liabilities	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	—	2,333,283	2,333,283
Financial liabilities included in other payables and accruals	205,896*	3,044,390	3,250,286
Interest-bearing bank and other borrowings	—	23,203,140	23,203,140
Financial liabilities included in other long-term liabilities	2,707,980*	280,588	2,988,568
	2,913,876	28,861,401	31,775,277

* The amounts include the share redemption options granted to non-controlling shareholders of several subsidiaries amounting to RMB2,818,244,000 (2018:RMB2,810,928,000), with the current portion of RMB209,286,000 (2018: RMB205,896,000) and the non-current portion of RMB2,608,958,000 (2018: RMB2,605,032,000), of which fair value change is recognised in reserves due to the nature of equity transaction with non-controlling shareholders of the subsidiaries of the Group.

45. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

At 31 December 2019, there were no bank acceptance bills that the Group has discounted to the bank (2018: RMB4,010,000). The Group believes that it retains almost all of its risks and rewards, including its related defaults risk. Therefore, the Group continues to confirm it in full and short-term borrowing. After discounting, the Group will not retain the use rights of it, including the right to sell, transfer or pledge it to other third parties.

At 31 December 2019, the Group endorsed certain bills receivable accepted by banks in the PRC (the "Endorsed Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB1,168,291,000 (2018: RMB709,400,000). In addition, the Group discounted certain bills accepted by banks in the PRC included in bills receivable and debt investments at fair value through other comprehensive income (the "Discounted Bills") to certain banks to finance its operating cash flows with a carrying amount in aggregate of RMB519,262,000 (2018: RMB208,990,000). The Endorsed Bills and the Discounted Bills had a maturity from one to six months at the end of the reporting period. In accordance with the relevant laws and regulations in the PRC and relevant discounting arrangement with certain banks, the holders of the Endorsed Bills and the Discounted Bills have a right of recourse against the Group if the accepting banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Endorsed bills and the Discounted Bills. Accordingly, it has derecognised the full carrying amounts of the Endorsed Bills and the Discounted Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills and the undiscounted cash flows to repurchase these Endorsed Bills and Discounted Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills are not significant.

During the reporting period, the Group has not recognised any gain or loss on the date of transfer of the Endorsed Bills and the Discounted Bills. No gains or losses were recognised from the continuing involvement, both during the year or cumulatively. The endorsement and the discount have been made evenly throughout the reporting period.

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets:				
Equity investments designated at fair value through other comprehensive income	**107,709**	126,313	**107,709**	126,313
Debt investments at fair value through other comprehensive income	**445,103**	—	**445,103**	—
Financial assets at fair value through profit or loss	**2,439,806**	3,121,931	**2,439,806**	3,121,931
	2,992,618	3,248,244	**2,992,618**	3,248,244
Financial liabilities:				
Non-current portion of interest-bearing bank borrowings (other than lease liabilities)	**7,293,044**	8,630,662	**7,460,377**	8,836,810
Interest-bearing other borrowings	**7,030,209**	7,032,625	**7,124,156**	7,041,981
Financial liabilities included in other long-term liabilities	**2,832,723**	2,988,568	**2,832,723**	3,194,464
	17,155,976	18,651,855	**17,417,256**	19,073,255

Management has assessed that the fair values of cash and bank balances, trade and bills receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial assets included in other non-current assets and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments or the interest rate is approximate to the discount rate of current market.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for the non-current portion of interest-bearing bank and other borrowings as at 31 December 2019 was assessed to be insignificant.

The fair values of listed corporate bond issued by the Company and equity investments without a lock-up period are based on quoted market prices. The fair values of listed equity investments with a lock-up period have been estimated based on assumptions that are supported by observable market prices and discount for lack of marketability. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income or profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 31 December 2019:

Unobservable inputs for Level 3 assets

The financial assets measured at fair value held by the Group which were classified in Level 3 primarily correspond to unlisted equity investments not quoted in an active market.

For the fair value of the unlisted equity investments is based on valuation techniques for which the input that is significant to the fair value measurement is unobservable. For certain unlisted equity investments, the Group adopts quotation from counterparties' quotations or valuation techniques to determine the fair value. Valuation techniques include a discounted cash flow analysis, the market comparison approach, etc. The fair value measurement of these financial instruments may involve unobservable inputs such as liquidity discount. Fair value change resulting from changes in the unobservable inputs was not significant. The Finance Department periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in Level 3.

Unobservable inputs for level 3 liabilities

Significant unobservable valuation input for the share redemption option granted to non-controlling shareholders of subsidiaries included in other payables and accruals and other long-term liabilities of RMB2,818,244,000 (31 December 2018: RMB2,810,928,000) is EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) of Breas from April 2018 to March 2019, EBITDA of Gland Pharma during year 2018, and EBITDA of Nova during year 2019.

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:
As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss *(note 27)*	561,348	52,734	1,825,724	2,439,806
Equity investments designated at fair value through other comprehensive income *(note 21)*	1,554	52,909	53,246	107,709
Debt investments at fair value through other comprehensive income	—	445,103	—	445,103
	562,902	550,746	1,878,970	2,992,618

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss *(note 27)*	864,159	102,479	2,155,293	3,121,931
Equity investments designated at fair value through other comprehensive income *(note 21)*	2,157	41,855	82,301	126,313
	866,316	144,334	2,237,594	3,248,244

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

The movements in fair value measurements in Level 3 during the year are as follows:

	Financial assets at fair value through profit and loss RMB'000	Equity investments Designated at fair value through other comprehensive income RMB'000
As at 1 January 2019	2,155,293	82,301
Total gains recognised in the statement of profit or loss included in other gains	57,986	—
Total losses recognised in other comprehensive income	—	(29,736
Addition	274,925	—
Disposal	(651,488)	—
Exchange realignment	(10,992)	681
As at 31 December 2019	1,825,724	53,246

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Amounts included in other payable and accruals	**—**	**—**	**209,286**	**209,286**
Amounts included in other long-term liabilities *(note 34)*	**—**	**—**	**2,608,958**	**2,608,958**
	—	**—**	**2,818,244**	**2,818,244**

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Amounts included in other payable and accruals	—	—	205,896	205,896
Amounts included in other long-term liabilities *(note 34)*	—	—	2,707,980	2,707,980
	—	—	2,913,876	2,913,876

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value: (Continued)

The movements in fair value measurements in Level 3 during the year are as follows:

	2019 RMB'000	2018 RMB'000
Amounts included in other long-term liabilities:		
At 1 January	2,913,876	2,022,919
Total gains/loss recognised in the statement of other comprehensive income	(45,557)	—
Total gains recognised in the statement of profit or loss included in other gains	(59,619)	(60,407)
Addition	52,873	951,364
Settlement	(43,329)	—
At 31 December	2,818,244	2,913,876

Liabilities for which fair values are disclosed:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Non-current portion of interest-bearing bank borrowings	—	7,460,377	—	7,460,377
Interest-bearing other borrowings	5,288,087	1,836,069	—	7,124,156
Amounts included in other long-term liabilities	—	223,765	—	223,765
	5,288,087	9,520,211	—	14,808,298

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed: (Continued)

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Non-current portion of interest-bearing bank borrowings	4,302,540	2,739,441	—	7,041,981
Interest-bearing other borrowings	—	8,836,810	—	8,836,810
Amounts included in other long-term liabilities	—	280,588	—	280,588
	4,302,540	11,856,839	—	16,159,379

During the year, due to the circulation of the restricted stock held by the group, the fair value measurements of financial assets with the carrying amount of RMB42,130,000, was transferred from Level 2 to Level 1. And there were no transfers into or out of Level 3 for both financial assets and financial liabilities (2018: Nil).

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and floating rate debts.

As at 31 December 2019, the total interest-bearing bank borrowings of RMB12,678,950,000 (31 December 2018: RMB12,888,868,000) of the Group were with floating interest rates denominated in RMB, USD or EUR.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax through the impact on floating rate borrowings.

Increase/(decrease) in the Group's profit after tax

	Increase/ (decrease) in basis %	Increase/ (decrease) in profit after tax RMB'000
2019		
RMB	**1**	**(33,820)**
USD	**1**	**(58,316)**
EUR	**1**	**(2,956)**
RMB	**(1)**	**33,820**
USD	**(1)**	**58,316**
EUR	**(1)**	**2,956**
2018		
RMB	1	(14,127)
USD	1	(77,995)
EUR	1	(4,544)
RMB	(1)	14,127
USD	(1)	77,995
EUR	(1)	4,544

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD, EUR and HKD exchange rates, with all other variables held constant, of the Group's profit after tax due to changes in the fair value of monetary assets and liabilities.

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit after tax RMB'000
2019		
If RMB weakens against USD	**5**	**51,109**
If RMB strengthens against USD	**(5)**	**(51,109)**
If RMB weakens against EUR	**5**	**(18,900)**
If RMB strengthens against EUR	**(5)**	**18,900**
If RMB weakens against HKD	**5**	**40,752**
If RMB strengthens against HKD	**(5)**	**(40,752)**
2018		
If RMB weakens against USD	5	49,753
If RMB strengthens against USD	(5)	(49,753)
If RMB weakens against EUR	5	(20,248)
If RMB strengthens against EUR	(5)	20,248
If RMB weakens against HKD	5	15,895
If RMB strengthens against HKD	(5)	(15,895)

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk

The Group trades only with related companies and recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, and deposits and other receivables, arises from the default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Maximum exposure and year-end staging

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and bills receivables*	—	—	—	4,607,722	4,607,722
Debt investments at fair value through other comprehensive income*	445,103	—	—	—	445,103
Financial assets included in prepayments, other receivables and other assets					
— Normal**	498,978	—	—	—	498,978
Other non-current assets	188,840	—	—	—	188,840
Cash and bank balances					
— Not yet past due	9,533,268	—	—	—	9,533,268
	10,666,189	—	—	4,607,722	15,273,911

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk (Continued)

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and bills receivables*	—	—	—	4,336,151	4,336,151
Financial assets included in prepayments, other receivables and other assets					
— Normal**	458,861	—	—	—	458,861
Other non-current assets	67,562	—	—	—	67,562
Cash and bank balances					
— Not yet past due	8,546,522	—	—	—	8,546,522
	9,072,945	—	—	4,336,151	13,409,096

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 25 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 25 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing borrowings. As at 31 December 2019, 39% (31 December 2018: 43%) of the Group's borrowings would mature in less than one year based on the carrying values of the borrowings.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
2019					
Interest-bearing bank and other borrowings	**—**	**9,222,956**	**12,926,541**	**363,314**	**22,512,811**
Lease liability	**—**	**143,786**	**350,455**	**73,267**	**567,508**
Trade and bills payables	**—**	**2,397,315**	**—**	**—**	**2,397,315**
Financial liabilities included in other payables and accruals	**3,568,740**	**576,236**	**—**	**—**	**4,144,976**
Financial liabilities included in other long-term liabilities	**—**	**—**	**2,832,723**	**—**	**2,832,723**
	3,568,740	**12,340,293**	**16,109,719**	**436,581**	**32,455,333**
2018					
Interest-bearing bank and other borrowings	—	11,206,767	11,449,527	2,302,777	24,959,071
Trade and bills payables	—	2,333,283	—	—	2,333,283
Financial liabilities included in other payables and accruals	2,713,213	537,073	—	—	3,250,286
Financial liabilities included in other long-term liabilities	—	480	2,960,749	27,339	2,988,568
	2,713,213	14,077,603	14,410,276	2,330,116	33,531,208

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments included in financial assets at fair value through profit or loss (note 27) and equity investments at fair value through other comprehensive Income (note 21) as at 31 December 2019. The Group's listed investments are listed on the stock exchanges in Shanghai, Shenzhen, New York, New Zealand, Hong Kong and Germany are valued at quoted market prices or using valuation techniques at the end of the reporting period.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2019	High/low 2019	31 December 2018	High/low 2018
Shanghai — A-share Index	3,196	3,426/2,580	2,611	3,728/2,600
Shenzhen — GEM Index	1,798	1,802/1,215	1,251	1,900/1,205
Shenzhen — A-share Index	1,802	1,865/1,303	1,326	2,051/1,288
New York — NASDAQ Index	8,973	9,022/6,464	6,585	8,110/6,193
New York — NYSE Index	13,913	13,944/11,190	11,291	13,637/10,770
New Zealand — NZX 50 Gross Index	11,492	11,643/8,732	8,811	9,376/8,059
Hong Kong — HSI Index	28,190	30,157/25,064	25,846	33,154/24,586
Germany — DAX Index	13,249	13,408/10,417	10,768	13,445/10,559

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the equity investments, with all other variables held constant and after any impact on tax, based on their carrying amounts at the end of the reporting period. For the purposes of this analysis, for the equity investments at fair value through other comprehensive income, the impact is deemed to be on the fair value reserve revaluation reserve, respectively.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Equity price risk (Continued)

	Change in equity prices %	Carrying amount of equity investments RMB'000	Change in profit after tax RMB'000	Change in equity* RMB'000
2019				
Investments listed in:				
New York — Financial assets at fair value through profit or loss	10	104,697	10,470	—
New York — Financial assets at fair value through profit or loss	(10)	104,697	(10,470)	—
Shenzhen GEM — Financial assets at fair value through profit or loss	10	110,939	8,320	—
Shenzhen GEM — Financial assets at fair value through profit or loss	(10)	110,939	(8,320)	—
Shenzhen — Financial assets at fair value through profit or loss	10	261,502	19,678	—
Shenzhen — Financial assets at fair value through profit or loss	(10)	261,502	(19,678)	—
NASDAQ — Financial assets at fair value through profit or loss	10	51,639	5,164	—
NASDAQ — Financial assets at fair value through profit or loss	(10)	51,639	(5,164)	—
NASDAQ — Equity investments at fair value through other comprehensive income	10	1,554	—	117
NASDAQ — Equity investments at fair value through other comprehensive income	(10)	1,554	—	(117)
Taiwan — Financial assets at fair value through profit or loss	10	52,735	5,273	—
Taiwan — Financial assets at fair value through profit or loss	(10)	52,735	(5,273)	—
Hong Kong — Financial assets at fair value through profit or loss	10	32,570	3,257	—
Hong Kong — Financial assets at fair value through profit or loss	(10)	32,570	(3,257)	—
Total financial assets at fair value through profit or loss		614,082		
Total equity investments at fair value through other comprehensive income		1,554		

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Equity price risk (Continued)

	Change in equity prices %	Carrying amount of equity investments RMB'000	Change in profit after tax RMB'000	Change in equity* RMB'000
2018				
Investments listed in:				
New York — Financial assets at fair value through profit or loss	10	289,130	28,913	—
New York — Financial assets at fair value through profit or loss	(10)	289,130	(28,913)	—
Shenzhen GEM — Financial assets at fair value through profit or loss	10	76,048	5,704	—
Shenzhen GEM — Financial assets at fair value through profit or loss	(10)	76,048	(5,704)	—
Shenzhen — Financial assets at fair value through profit or loss	10	273,726	20,571	—
Shenzhen — Financial assets at fair value through profit or loss	(10)	273,726	(20,571)	—
NASDAQ — Financial assets at fair value through profit or loss	10	219,730	21,973	—
NASDAQ — Financial assets at fair value through profit or loss	(10)	219,730	(21,973)	—
NASDAQ — Equity investments at fair value through other comprehensive income	10	2,157	—	162
NASDAQ — Equity investments at fair value through other comprehensive income	(10)	2,157	—	(162)
Germany — Financial assets at fair value through profit or loss	10	7,368	737	—
Germany — Financial assets at fair value through profit or loss	(10)	7,368	(737)	—
Taiwan — Financial assets at fair value through profit or loss	10	54,015	5,402	—
Taiwan — Financial assets at fair value through profit or loss	(10)	54,015	(5,402)	—
Hong Kong — Financial assets at fair value through profit or loss	10	46,621	4,662	—
Hong Kong — Financial assets at fair value through profit or loss	(10)	46,621	(4,662)	—
Total financial assets at fair value through profit or loss		966,638		
Total equity investments at fair value through other comprehensive income		2,157		

* Excluding retained profits

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(f) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes interest-bearing bank and other borrowings, other long-term liabilities less cash and cash equivalents. Total equity includes equity attributable to owners of the parent and non-controlling interests. The gearing ratios as at the end of the reporting periods were as follows:

	31 December 2019 RMB'000	1 January 2019 RMB'000	31 December 2018 RMB'000
Interest-bearing bank and other borrowings *(note 31)*	**21,691,083**	23,615,361	23,203,140
Loans from third parties included in other long-term liabilities	**—**	29,733	29,733
Less: Cash and bank balances *(note 28)*	**(9,533,268)**	(8,546,522)	(8,546,522)
Net debt	**12,157,815**	15,098,572	14,686,351
Total equity	**39,147,326**	33,535,827	33,535,827
Total equity and net debt	**51,305,141**	48,634,399	48,222,178
Gearing ratio	**24%**	31%	30%

Note: The Group has adopted HKFRS 16 using the modified retrospective approach and the effect of the initial adoption is adjusted against the opening balances as at 1 January 2019 with no adjustments to the comparative amounts as at 31 December 2018. This resulted in an increase in the Group's net debt and hence the Group's gearing ratio increased from 30% to 31% on 1 January 2019 when compared with the position as at 31 December 2018.

48. 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 Fosun01" 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 bond that have been resold, the Group may resell such bond 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 liability 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 identified 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.

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	5,733	9,464
Other intangible assets	1,239	1,840
Investments in subsidiaries	10,865,236	8,651,555
Investments in associates	8,710,187	8,768,321
Equity instruments designated at fair value through other comprehensive income	38,246	37,626
Financial assets at fair value through profit or loss	137,437	184,189
Other non-current assets	5,295,917	5,465,152
Total non-current assets	25,053,995	23,118,147
CURRENT ASSETS		
Prepayments, deposits and other receivables	7,792,394	8,698,307
Cash and bank balances	905,360	850,102
Total current assets	8,697,754	9,548,409
CURRENT LIABILITIES		
Other payables and accruals	3,053,603	1,530,893
Interest-bearing bank and other borrowings	4,741,346	6,728,011
Total current liabilities	7,794,949	8,258,904
NET CURRENT ASSETS	902,805	1,289,505
TOTAL ASSETS LESS CURRENT LIABILITIES	25,956,800	24,407,652
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	5,630,603	4,106,197
Deferred income	250	550
Deferred tax liability	968,947	968,947
Total non-current liabilities	6,599,800	5,075,694
Net assets	19,357,000	19,331,958
EQUITY		
Share capital	2,562,899	2,563,061
Treasury shares	—	(1,711)
Reserves	16,794,101	16,770,608
Total equity	19,357,000	19,331,958

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's treasury shares and reserves is as follows:

	Share premium RMB'000	Treasury shares RMB'000	Fair value reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 31 December 2017	11,865,450	(9,523)	(15,491)	1,247,566	8,877	1,663,597	14,760,476
Effect of adoption of HKFRS 9	—	—	778	—	—	(5,534)	(4,756)
At 1 January 2018	11,865,450	(9,523)	(14,713)	1,247,566	8,877	1,658,063	14,755,720
Total comprehensive (loss)/income for the year	—	—	(96,355)	—	—	919,136	822,781
Issue of H shares	2,156,574	—	—	—	—	—	2,156,574
Repurchase and cancellation of restricted A shares	(669)	739	—	—	—	—	70
Unlocking of restricted A shares	—	7,073	—	—	—	—	7,073
Equity-settled share-based payment *(note 40)*	9,519	—	—	—	(8,877)	—	642
Final 2017 dividend declared and paid	—	—	—	—	—	(973,963)	(973,963)
Transfer from fair value reserve to retained profits	—	—	20,621	—	—	(20,621)	—
At 31 December 2018	14,030,874	(1,711)	(90,447)	1,247,566	—	1,582,615	16,768,897

	Share premium RMB'000	**Treasury shares RMB'000**	**Fair value reserve RMB'000**	**Statutory surplus reserve RMB'000**	**Retained profits RMB'000**	**Total RMB'000**
At 31 December 2018 and 1 January 2019	**14,030,874**	**(1,711)**	**(90,447)**	**1,247,566**	**1,582,615**	**16,768,897**
Total comprehensive income for the year	**—**	**—**	**620**	**—**	**857,249**	**857,869**
Profit appropriation to reserve	**—**	**—**	**—**	**33,883**	**(33,883)**	**—**
Repurchase and cancellation of restricted A shares	**(1,548)**	**1,711**	**—**	**—**	**—**	**163**
Acquisition of subsidiary	**(14,201)**	**—**	**—**	**—**	**—**	**(14,201)**
Final 2018 dividend declared and paid	**—**	**—**	**—**	**—**	**(818,627)**	**(818,627)**
At 31 December 2019	**14,015,125**	**—**	**(89,827)**	**1,281,449**	**1,587,354**	**16,794,101**

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2020.

Definitions

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below.

"A Share(s)"	domestic share(s) of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
"A Shareholder(s)"	holder(s) of A Shares
"Accord Healthcare"	Accord Healthcare Limited
"AGM" or "Annual General Meeting"	the annual general meeting of the Company
"AI"	artificial intelligence
"Alma Lasers"	Alma Lasers Ltd., a company registered in Israel and a subsidiary of the Company
"Ample Up"	Ample Up Limited, a company registered in Hong Kong and a subsidiary of the Company
"Anhui Jimin Hospital"	Anhui Jimin Cancer Hospital* (安徽濟民腫瘤醫院), a private non-enterprise unit (民辦非企業單位) established in the PRC, a subsidiary of the Company
"Aohong Pharma"	Jinzhou Aohong Pharmaceutical Company Limited* (錦州奧鴻藥業有限責任公司), a subsidiary of the Company
"Articles" or "Articles of Association"	the articles of association of the Company
"associates"	has the meaning given to it under the Hong Kong Listing Rules
"Australia"	Commonwealth of Australia
"Board" or "Board of Directors"	the board of Directors of the Company
"Brazil"	the Federative Republic of Brazil
"CAPA"	Corrective Action & Preventive Action
"CG Code"	the Corporate Governance Code and the Corporate Governance Report contained in Appendix 14 to the Hong Kong Listing Rules
"cGMP"	Current Good Manufacture Practices
"Company" or "Fosun Pharma"	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (上海復星醫藥(集團)股份有限公司), a joint stock company established in the PRC with limited liability, whose H Shares and A Shares are listed and traded on the main board of the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively
"connected person(s)"	has the meaning given to it under the Hong Kong Listing Rules
"controlling shareholder(s)"	has the meaning given to it under the Hong Kong Listing Rules and in the context of our Company, means Guo Guangchang, Wang Qunbin, Fosun International Holdings, Fosun Holdings, Fosun International and Fosun High Tech
"COVID-19"	the Novel Coronavirus
"CQ Pharma Holdings"	C.Q. Pharmaceutical Holding Co., Ltd.* (重藥控股股份有限公司), a joint stock company incorporated under the PRC Law with limited liability, the shares of which are listed and traded on the Shenzhen Stock Exchange (stock code: 000950)

"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities market
"Deed of Non-Competition"	the deed of non-competition undertakings dated 13 October 2012 and executed by our controlling shareholders in favor of the Company (for itself and as trustee of its subsidiaries from time to time)
"Denuo Dental"	Beijing Qianda Denuo Dental Clinic Co., Ltd.* (北京謙達德喏口腔門診部有限公司)
"Director(s)"	director(s) of our Company
"EBITDA"	earnings before interest, taxes, depreciation and amortization
"EHS"	Environment, Health and Safety
"EMA"	European Medicines Agency
"Erye Pharma"	Suzhou Erye Pharmaceutical Co., Ltd.* (蘇州二葉製藥有限公司), a subsidiary of the Company
"EU"	European Union
"Financial Services Agreement"	the financial services agreement entered into between the Company and Fosun Finance dated 17 October 2016 for the provision of financial services by Fosun Finance to the Company, the term of which commenced from 1 January 2017 and ended on 31 December 2019
"Foshan Chancheng Hospital"	Foshan Chancheng Central Hospital Company Limited* (佛山市禪城區中心醫院有限公司), a for-profit medical institution established with the approval of the Population, Health and Drug Administration of Chancheng District, Foshan (佛山市禪城區人口和衛生藥品監督管理局), a subsidiary of the Company
"Fosun Finance"	Fosun Group Finance Corporation Limited* (上海復星高科技集團財務有限公司), a subsidiary of Fosun High Tech (a controlling shareholder of the Company). Fosun Finance is a connected person under Rule 14A.07(4) of the Hong Kong Listing Rules
"Fosun Healthcare"	Shanghai Fosun Hospital Investment (Group) Co., Ltd.* (上海復星醫院投資(集團)有限公司), now renamed as Shanghai Fosun Healthcare (Group) Co., Ltd.* (上海復星醫療(集團)有限公司), a subsidiary of the Company
"Fosun High Tech"	Shanghai Fosun High Technology (Group) Company Limited* (上海復星高科技(集團)有限公司), a direct wholly-owned subsidiary of Fosun International and a controlling shareholder of the Company. Fosun High Tech is a connected person under Rule 14A.07(1) of the Hong Kong Listing Rules
"Fosun Holdings"	Fosun Holdings Limited* (復星控股有限公司), a direct wholly-owned subsidiary of Fosun International Holdings and a controlling shareholder of the Company
"Fosun Industrial Pte"	Fosun Pharma Industrial Pte. Ltd., a company registered in Singapore and a subsidiary of the Company
"Fosun International"	Fosun International Limited (復星國際有限公司), an indirect subsidiary of Fosun International Holdings and the controlling shareholder of the Company, which is listed on the Hong Kong Stock Exchange (Stock Code: 00656)

"Fosun International Holdings"	Fosun International Holdings Limited, which was held as to 85.29% and 14.71% by Guo Guangchang and Wang Qunbin, respectively, as at the end of the Reporting Period, and a controlling shareholder of the Company
"Fosun Kite"	Fosun Kite Biological Technology Co., Ltd.* (復星凱特生物科技有限公司), a joint venture of the Company
"Fosun Pharmaceutical Industrial"	Shanghai Fosun Pharmaceutical Industrial Development Company Limited* (上海復星醫藥產業發展有限公司), a subsidiary of the Company
"Fosun Tourism"	Fosun Tourism Group (復星旅遊文化集團), which is listed on the Hong Kong Stock Exchange (Stock Code: 01992)
"France"	the French Republic
"Fudi Medical"	Shanghai Fudi Medical Apparatus Co., Ltd. (上海復迪醫療器械有限公司)
"Futuo Biotech"	Shanghai Futuo Biotech Development Co., Ltd.* (上海復拓生物科技發展有限公司), a subsidiary of the Company
"GDP"	Gross Domestic Product
"Gland Pharma"	Gland Pharma Limited, a company registered in India and a subsidiary of the Company
"Gland Pharma Share Option Incentive Scheme"	the share option incentive scheme adopted by Gland Pharma, which was approved by the Shareholders at the Annual General Meeting held on 25 June 2019 and the shareholders of Fosun International at its annual general meeting held on 5 June 2019
"GlaxoSmithKline (China)"	GlaxoSmithKline (China) Investment Company Ltd.* (葛蘭素史克(中國)投資有限公司)
"GMP"	Good Manufacture Practices
"Group", "we" or "us"	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require), or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
"Guilin Afrique"	Gulin Pharma Afrique Francophone Co., Limited
"Guilin Pharma"	Guilin South Pharma Company Limited* (桂林南藥股份有限公司), a subsidiary of the Company
"H Share(s)"	overseas listed foreign share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"H Shareholder(s)"	holder(s) of H Shares
"Hainan Kaiye"	Hainan Kai Ye Medical Company Limited* (海南凱葉醫藥有限公司)
"Hainan Peng Kang"	Hainan Peng Kang Pharmaceutical Co., Ltd.* (海南鵬康藥業有限公司)
"Health Canada"	Health Canada
"Henlix"	Henlix, Inc.

Definitions

"HHH"	Healthy Harmony Holdings, L.P.
"HIS"	hospital information system
"HKFRS"	the Hong Kong Financial Reporting Standards
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars", "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HRP"	hospital resources planning
"Huai'an Xinghuai Hospital"	Huai'an Xinghuai International Hospital Company Limited* (淮安興淮國際醫院有限公司), a subsidiary of the Company
"IDL"	Imported Drug License
"independent third party(ies)"	a person or persons or a company or companies that is not or are not connected person(s) of the Company
"Intuitive Fosun"	Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd.* (直觀復星醫療器械技術(上海)有限公司), an associate of the Company
"Japan"	Japan
"Jiangsu Wanbang"	Jiangsu Wanbang Biopharmaceutical Company Limited* (江蘇萬邦生化醫藥集團有限責任公司), a subsidiary of the Company
"Jiskai Pharma"	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), a subsidiary of the Company as at the end of the Reporting Period
"List Pharma"	Chengdu List Pharmaceutical Co., Ltd.* (成都力思特製藥股份有限公司), a subsidiary of the Company as at the end of the Reporting Period
"List Pharma Research"	Chengdu List Pharmaceutical Research Co., Ltd.* (成都力思特藥物研究有限公司)
"MAA"	Marketing Authorisation Application
"Magnificent View"	Magnificent View Investments Limited, a company registered in Hong Kong and an associate of Fosun International, the controlling shareholder of the Company. Magnificent View is a connected person under Rule 14A.07(4) of the Hong Kong Listing Rules
"Meistar"	Meistar Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules

"NAFMII"	The National Association of Financial Market Institutional Investors
"Nanjing Junxing"	Nanjing Junxing Medical Service Co., Ltd.* (南京君星醫療服務有限公司)
"NMPA"	National Medical Products Administration of the People's Republic of China* (中華人民共和國國家藥品監督管理局), the PRC governmental authority responsible for the regulation of drugs
"NOVA Medical"	Nova Medical Israel Ltd., a company registered in Israel and a subsidiary of the Company as at the end of the Reporting Period
"OOS"	Out of Specification
"PCT"	Patent Cooperation Treaty
"Philippines"	The Republic of the Philippines
"Poland"	The Republic of Poland
"PQ"	Prequalification
"PRC" or "China"	the People's Republic of China, and "Chinese" shall be construed accordingly. References in this annual report to the PRC or China, for geographical reference only, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Company Law"	the Company Law of the PRC* (《中華人民共和國公司法》)
"PRC Enterprise Income Tax Law"	the Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得税法》)
"PRC government"	central government of the PRC, including all governmental sub-divisions (including provincial, municipal and other regional or local government entities)
"PRC Securities Law"	the Securities Law of the PRC* (《中華人民共和國證券法》)
"Qiguang Investment"	Shanghai Qiguang Investment Management Company Limited* (上海齊廣投資管理有限公司)
"R&D"	research and development
"Reporting Period"	the 12-month period from 1 January 2019 to 31 December 2019
"Restricted A Share(s)"	the A Shares granted under the Restricted A Share Incentive Scheme II
"Restricted A Share Incentive Scheme II"	the Restricted A Share incentive scheme II of the Company, as approved by the Shareholders on 16 November 2015
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Saudi Arabia"	the Kingdom of Saudi Arabia
"SFHIH"	Shanghai Fosun Health Industrial Holdings Co., Ltd.* (上海復星健康產業控股有限公司), a subsidiary of Fosun High Tech (a controlling shareholder of the Company). SFHIH is a connected person under Rule 14A.07(4) of the Hong Kong Listing Rules

Definitions

"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Shandong Bairui"	Shandong Bairui Pharmaceutical Co., Ltd.* (山東百瑞製藥有限公司), which had been merged by Shandong Erye as at the end of the Reporting Period
"Shandong Erye"	Shandong Erye Pharmaceutical Co., Ltd.* (山東二葉製藥有限公司), a subsidiary of the Company
"Shandong Yixing"	Shandong Yixing Nursing Service Co., Ltd.* (山東頤星護理服務有限公司)
"Shanghai Henlius"	Shanghai Henlius Biotech Company Limited (上海復宏漢霖生物技術股份有限公司), a subsidiary of the Company, which is listed on the Hong Kong Stock Exchange (Stock Code: 02696)
"Shanghai Listing Rules"	the Stock Listing Rules of the Shanghai Stock Exchange (《上海證券交易所股票上市規則》)
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Shareholders"	holders of the Shares
"Shares"	ordinary shares in the capital of the Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"Shenzhen Fosun Health"	Shenzhen Fosun Health Information Technology Company Limited* (深圳復星健康信息科技有限公司)
"Shenzhen Hengsheng Hospital"	Shenzhen Hengsheng Hospital* (深圳恒生醫院), a subsidiary of the Company
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所)
"Sinopharm"	Sinopharm Group Co., Ltd.* (國藥控股股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 01099)
"Sinopharm Industrial"	Sinopharm Industrial Investment Co., Ltd. (國藥產業投資有限公司)
"Sisram Medical"	Sisram Medical Ltd. (復銳醫療科技有限公司*), a subsidiary of the Company, which is listed on the Hong Kong Stock Exchange (stock code: 01696)
"substantial shareholder(s)"	has the meaning given to it under the Hong Kong Listing Rules
"Supervisors"	the members of the Supervisory Committee
"Supervisory Committee"	the supervisory committee of the Company
"Suqian Rehabilitation Hospital"	Suqian Xingxing Rehabilitation and Medical Examination Company Limited* (宿遷市新星康復體檢有限公司), a subsidiary of the Company
"Suqian Zhongwu Hospital"	Suqian Zhongwu Hospital Co., Ltd.* (宿遷市鐘吾醫院有限責任公司), a subsidiary of the Company
"Tianjin Qianda"	Qianda (Tianjin) International Trading Co., Ltd.* (謙達(天津)國際貿易有限公司), a subsidiary of the Company

"U.K."	United Kingdom of Great Britain and Northern Ireland
"U.S." or "United States"	United States of America, its territories and possessions, any State of the United States and the District of Columbia
"U.S. FDA"	U.S. Food and Drug Administration
"Ukraine"	Ukraine
"United Arab Emirates"	United Arab Emirates
"US dollars", "USD" or "US$"	United States dollars, the lawful currency of the United States
"Wenzhou Geriatric Hospital"	Wenzhou Geriatric Hospital Limited Company* (溫州老年病醫院有限公司), a subsidiary of the Company
"WHO"	World Health Organization
"Written Code"	Written Code for Securities Transactions by Directors/Relevant Employees of the Company* (《董事／有關僱員進行證券交易的書面指引》)
"Wuhan Jihe Hospital"	Wuhan Jihe Hospital Co., Ltd.* (武漢濟和醫院有限公司), a subsidiary of the Company
"Yao Pharma"	Chongqing Yao Pharmaceutical Company Limited* (重慶藥友製藥有限責任公司), a subsidiary of the Company
"Youle Information"	Youle Information Technology Company Limited* (上海有叻信息科技有限公司), an associate of Mr. Guo Guangchang, the controlling shareholder of the Company. Youle Information is a connected person under Rule 14A.07(4) of the Hong Kong Listing Rules
"Yueyang Guangji Hospital"	Yueyang Guangji Hospital Company Limited* (岳陽廣濟醫院有限公司), a subsidiary of the Company
"Yulin Guanghai"	Yulin Guanghai Medical Investment Management Company Limited* (玉林廣海醫療投資管理有限公司)
"Zhengda Real Estate"	Shanghai Zhengda Bund International Finance Services Centre Real Estate Company Limited* (上海證大外灘國際金融服務中心置業有限公司), now renamed as Shanghai Fosun Bund Property Co., Ltd* (上海復星外灘置業有限公司), 50% of the equity interests of Zhengda Real Estate is indirectly owned by Fosun International (the controlling shareholder of the Company). Zhengda Real Estate is a connected person of the Group under Rule 14A.07 of the Hong Kong Listing Rules
"Zhuhai Chancheng Hospital"	Zhuhai Chancheng Hospital Limited* (珠海禪誠醫院有限公司) (formerly known as Zhuhai Yannian Hospital Company Limited* (珠海延年醫院有限公司), a subsidiary of the Company
"Zhuorui Outpatient"	Shanghai Zhuorui Integrated Outpatient Limited Company* (上海卓瑞綜合門診部有限公司), a subsidiary of the Company

Definitions

"€"	EURO, the lawful currency of the European Union
"%"	per cent

In this annual report, if there is any inconsistency between the Chinese names of the entities, authorities, organizations, institutions or enterprises established in China or the awards or certificates given in China and their English translations, the Chinese version shall prevail.

FOSUN PHARMA
Innovation for Good Health

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