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FOSUN PHARMA

复星医药

上海復星醫藥（集團）股份有限公司

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

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

(Stock Code: 02196)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2020 (the “**Reporting Period**”).

FINANCIAL HIGHLIGHTS

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020

		For the six months ended 30 June	
		2020	2019
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	3	13,965,179	14,085,146
Cost of sales		<u>(6,215,872)</u>	<u>(5,598,983)</u>
Gross profit		7,749,307	8,486,163
Other income	4	180,429	109,724
Selling and distribution expenses		(3,931,067)	(4,998,448)
Administrative expenses		(1,322,239)	(1,147,889)
Research and development expenses		(1,204,425)	(849,383)
Impairment losses on financial assets		(42,765)	(21,918)
Other gains	5	603,622	389,686
Other expenses		(52,138)	(45,617)
Interest income		96,436	86,650
Finance costs	6	(427,878)	(546,940)
Share of profits and losses of:			
Joint ventures		(46,558)	(25,933)
Associates		<u>698,964</u>	<u>760,055</u>
PROFIT BEFORE TAX	7	2,301,688	2,196,150
Income tax expense	8	<u>(392,081)</u>	<u>(376,521)</u>
PROFIT FOR THE PERIOD		<u>1,909,607</u>	<u>1,819,629</u>
Attributable to:			
Owners of the parent		1,714,710	1,516,120
Non-controlling interests		<u>194,897</u>	<u>303,509</u>
		<u>1,909,607</u>	<u>1,819,629</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic			
— For profit for the period		<u>RMB0.67 Yuan</u>	<u>RMB0.59 Yuan</u>
Diluted			
— For profit for the period		<u>RMB0.67 Yuan</u>	<u>RMB0.59 Yuan</u>

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	<u>1,909,607</u>	<u>1,819,629</u>
OTHER COMPREHENSIVE (LOSS)/INCOME		
<i>Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(255,609)	100,825
Share of other comprehensive income/(loss) of associates	<u>27,958</u>	<u>(30,026)</u>
Net other comprehensive (loss)/income that may reclassified to profit or loss in subsequent periods	<u>(227,651)</u>	<u>70,799</u>
<i>Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:</i>		
Equity investments designated at fair value through other comprehensive income/(loss)		
Changes in fair value	3,727	(26,819)
Income tax effect	<u>24</u>	<u>(5)</u>
	<u>3,751</u>	<u>(26,824)</u>
Share of other comprehensive income of associates	<u>68,933</u>	<u>—</u>
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	<u>72,684</u>	<u>(26,824)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	<u>(154,967)</u>	<u>43,975</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>1,754,640</u>	<u>1,863,604</u>
Attributable to:		
Owners of the parent	1,660,547	1,544,923
Non-controlling interests	<u>94,093</u>	<u>318,681</u>
	<u>1,754,640</u>	<u>1,863,604</u>

Interim Condensed Consolidated Statement of Financial Position

30 June 2020

		30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		11,313,846	10,720,960
Right-of-use assets		2,389,837	2,454,742
Goodwill		9,093,050	9,013,990
Other intangible assets		9,238,300	9,036,246
Investments in joint ventures		356,204	381,332
Investments in associates		21,712,444	20,491,557
Equity investments designated at fair value through other comprehensive income		60,945	107,709
Financial assets at fair value through profit or loss		1,851,891	1,983,155
Deferred tax assets		236,457	196,095
Other non-current assets		<u>1,300,703</u>	<u>1,273,605</u>
Total non-current assets		<u>57,553,677</u>	<u>55,659,391</u>
CURRENT ASSETS			
Inventories		4,561,539	3,940,537
Trade and bills receivables	11	5,271,488	4,607,722
Prepayments, other receivables and other assets		1,628,029	1,420,087
Financial assets at fair value through profit or loss		992,812	456,651
Debt investments at fair value through other comprehensive income		354,915	445,103
Cash and bank balances		<u>9,750,416</u>	<u>9,533,268</u>
Total current assets		<u>22,559,199</u>	<u>20,403,368</u>

		30 June 2020	31 December 2019
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
CURRENT LIABILITIES			
Trade and bills payables	12	2,864,017	2,397,315
Other payables and accruals		6,116,649	5,376,193
Interest-bearing bank and other borrowings		12,404,601	8,560,202
Lease liabilities		138,571	143,786
Contract liabilities		527,652	503,683
Tax payable		487,052	452,587
Total current liabilities		22,538,542	17,433,766
NET CURRENT ASSETS		20,657	2,969,602
TOTAL ASSETS LESS CURRENT LIABILITIES		57,574,334	58,628,993
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		10,953,518	12,576,907
Lease liabilities		369,340	410,188
Deferred tax liabilities		2,928,227	2,994,048
Deferred income		417,091	417,345
Other long term liabilities		2,891,682	2,860,170
Contract liabilities		215,655	223,009
Total non-current liabilities		17,775,513	19,481,667
Net assets		39,798,821	39,147,326
EQUITY			
Equity attributable to owners of the parent			
Issued share capital		2,562,899	2,562,899
Reserves		30,419,792	29,268,280
		32,982,691	31,831,179
Non-controlling interests		6,816,130	7,316,147
Total equity		39,798,821	39,147,326

Notes To Interim Condensed Consolidated Financial Information

30 June 2020

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

1.1 Basis of Preparation

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

1.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and impact of the revised HKFRSs are described below:

- (a) 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 has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

- (b) 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 did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's buildings have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB4,787,380.50 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

- (d) 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. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

2. OPERATING SEGMENT INFORMATION

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

- (a) the pharmaceutical manufacturing and R&D segment mainly engages in the production, sale and research of pharmaceutical products;
- (b) the medical devices and medical diagnosis segment mainly engages in the production and sale of medical devices and diagnostic products;
- (c) the healthcare service segment mainly engages in the provision of healthcare service and hospital management;
- (d) the pharmaceutical distribution and retail segment mainly engages in the retail and wholesale of pharmaceutical products; and
- (e) the other business operations segment comprises businesses other than those mentioned above.

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

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

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

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

Six months ended 30 June 2020 (unaudited)

	Pharmaceutical manufacturing and R&D RMB'000	Medical devices and medical diagnosis RMB'000	Healthcare Service RMB'000	Pharmaceutical distribution and retail RMB'000	Other business operations RMB'000	Adjustments and Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	9,952,096	2,638,887	1,359,017	—	15,179	—	13,965,179
Intersegment sales	48,294	46,610	4,700	—	8,270	(107,874)	—
Total revenue	<u>10,000,390</u>	<u>2,685,497</u>	<u>1,363,717</u>	<u>—</u>	<u>23,449</u>	<u>(107,874)</u>	<u>13,965,179</u>
Segment results*	1,115,513	509,746	31,373	—	(4,289)	(19,026)	1,633,317
Other income	135,673	10,551	16,910	—	16,579	—	179,713
Other gains	157,704	14,210	3,393	—	275,233	30	450,570
Interest income	56,129	10,345	17,531	—	185	(5,291)	78,899
Finance costs	(51,353)	(14,125)	(17,409)	—	(5,587)	26,170	(62,304)
Other expenses	27,605	(55,433)	(6,267)	—	(22,062)	—	(56,157)
Share of profits and losses of:							
Joint ventures	(45,744)	—	—	—	(814)	—	(46,558)
Associates	32,681	24,021	(31,134)	724,041	(50,645)	—	698,964
Unallocated other income, interest income and other gains							171,305
Unallocated finance cost							(365,574)
Unallocated expenses							<u>(380,487)</u>
Profit before tax	1,428,208	499,315	14,397	724,041	208,600	1,883	2,301,688
Tax	(313,433)	(65,625)	(12,784)	—	(239)	—	<u>(392,081)</u>
Profit for the period	1,114,775	433,690	1,613	724,041	208,361	1,883	<u>1,909,607</u>
Segment assets:	41,047,332	8,262,367	9,812,781	13,877,770	4,251,314	(1,683,155)	75,568,409
Including:							
Investments in joint ventures	349,474	—	—	—	6,730	—	356,204
Investments in associates	2,248,581	1,102,609	1,624,283	13,877,770	2,859,201	—	21,712,444
Unallocated assets							<u>4,544,467</u>
Total assets							<u>80,112,876</u>
Segment liabilities:	18,654,179	1,937,780	2,229,824	—	386,141	(9,370,028)	13,837,896
Unallocated liabilities							<u>26,476,159</u>
Total liabilities							<u>40,314,055</u>
Other segment information:							
Depreciation and amortisation	590,999	96,170	133,901	—	15,197	—	836,267
Impairment losses recognised in the statement of profit or loss, net	(32,251)	49,686	2,365	—	22,048	—	41,848
Capital expenditure**	1,309,447	97,984	356,886	—	47,953	—	1,812,270

* 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 included in right-of-use assets (not including the addition from acquisition of subsidiaries).

Six months ended 30 June 2019 (unaudited)

	Pharmaceutical manufacturing and R&D RMB'000	Medical devices and medical diagnosis RMB'000	Healthcare Service RMB'000	Pharmaceutical distribution and retail RMB'000	Other business operations RMB'000	Adjustments and Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	10,814,123	1,792,865	1,458,512	—	19,646	—	14,085,146
Intersegment sales	8,421	19,401	1,876	—	20,674	(50,372)	—
Total revenue	<u>10,822,544</u>	<u>1,812,266</u>	<u>1,460,388</u>	<u>—</u>	<u>40,320</u>	<u>(50,372)</u>	<u>14,085,146</u>
Segment results*	1,204,721	291,795	168,982	—	10,328	(19,887)	1,655,939
Other income	75,540	13,034	3,681	—	3,326	—	95,581
Other gains	281,499	(3,481)	(748)	7,274	2,679	—	287,223
Interest income	50,628	16,153	21,874	—	216	(1,236)	87,635
Finance costs	(56,712)	(9,467)	(12,032)	—	(6,320)	29,102	(55,429)
Other expenses	(15,616)	(22,095)	(15,446)	—	1,121	—	(52,036)
Share of profits and losses of:							
Joint ventures	(25,565)	477	—	—	(845)	—	(25,933)
Associates	37,529	(25,330)	(13,655)	774,939	(13,428)	—	760,055
Unallocated other income, interest income and other gains							115,621
Unallocated finance cost							(491,511)
Unallocated expenses							<u>(180,995)</u>
Profit before tax	1,552,024	261,086	152,656	782,213	(2,923)	7,979	2,196,150
Tax	(319,655)	(30,673)	(51,774)	—	(258)	—	(402,360)
Unallocated tax							<u>25,839</u>
Profit for the period	1,232,369	230,413	100,882	782,213	(3,181)	7,979	<u>1,819,629</u>
Segment assets:	36,425,494	6,874,258	10,781,464	12,429,996	4,362,843	(1,490,584)	69,383,471
Including:							
Investments in joint ventures	399,018	12,808	—	—	9,134	—	420,960
Investments in associates	2,153,707	948,143	3,232,275	12,429,996	3,085,411	—	21,849,532
Unallocated assets							<u>4,249,250</u>
Total assets							<u>73,632,721</u>
Segment liabilities:	15,346,659	1,505,277	1,698,142	—	281,002	(8,590,276)	10,240,804
Unallocated liabilities							<u>28,931,431</u>
Total liabilities							<u>39,172,235</u>
Other segment information:							
Depreciation and amortisation	502,504	85,220	133,338	—	19,190	—	740,252
Impairment losses recognised in the statement of profit or loss, net	2,435	19,425	6,493	—	(2,198)	—	26,155
Capital expenditure**	1,016,436	85,165	160,766	—	95,489	—	1,357,856

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

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

3. REVENUE

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

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	13,951,418	14,066,560
Revenue from other sources		
Gross rental income	<u>13,761</u>	<u>18,586</u>
	<u><u>13,965,179</u></u>	<u><u>14,085,146</u></u>

4. OTHER INCOME

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Dividend income from financial assets at fair value through profit or loss and equity investments designated at fair value through other comprehensive income	20,391	17,523
Government grants	158,367	92,104
Others	<u>1,671</u>	<u>97</u>
	<u><u>180,429</u></u>	<u><u>109,724</u></u>

5. OTHER GAINS

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Gain on disposal of shareholdings in joint ventures and associates	87,209	27,528
Fair value gains on financial assets at fair value through profit or loss	439,102	327,405
Gain on disposal of subsidiaries	—	2,186
Others	77,311	32,567
	<u>603,622</u>	<u>389,686</u>

6. FINANCE COSTS

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings (excluding lease liabilities)	425,687	543,161
Interest on lease liabilities	12,188	12,355
Less: Interest capitalised	(9,997)	(8,576)
	<u>427,878</u>	<u>546,940</u>

7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	4,932,900	4,263,438
Cost of services provided	1,282,972	1,335,545
Staff costs (including Directors', Supervisors' and Chief Executive's remuneration)		
Salaries and other staff costs	2,468,297	1,952,209
Retirement benefits:		
Defined contribution fund	66,453	134,290
Accommodation benefits:		
Defined contribution fund	83,795	67,904
Share-based payment	39,516	46,956
	<u>2,658,061</u>	<u>2,201,359</u>
Research and development expenses:		
Current period expenditure excluding amortisation of other intangible assets	1,167,594	816,188
Less: Government grants for R&D projects*	46,028	12,128
	<u>1,121,566</u>	<u>804,060</u>
Rental expenses from short term and low value assets	12,963	10,981
Depreciation of property, plant and equipment	490,945	458,599
Depreciation of right-of-use assets	91,076	74,916
Amortisation of other intangible assets	254,247	206,737
(Reversal)/Provision for impairment of inventories and property, plant and equipment	(917)	4,237
Impairment losses on financial assets	42,765	21,918
Fair value gain on financial assets at fair value through profit or loss	(439,102)	(327,405)
Foreign exchange gain, net	(69,551)	(6,028)
Gain on disposals of items of property, plant and equipment and other intangible assets	<u>(1,621)</u>	<u>(18,465)</u>

* 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. INCOME TAX

The provision for mainland China current income tax is based on a statutory rate of 25% (for the six months ended 30 June 2019: 25%) of the taxable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and effective on 1 January 2008, except for certain domestic subsidiaries of the Group in mainland China, which are taxed at preferential rates of 0% to 20%.

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated taxable profits arising in Hong Kong during the period. The provision of current income tax of Alma Lasers Ltd., a subsidiary of the Company incorporated in Israel, is based on a preferential rate of 9.48%. The provision of current tax of Gland Pharma Limited (“**Gland Pharma**”), a subsidiary of the Company 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. The provision of current tax of Breas Medical Holdings AB (“**Breas**”), a subsidiary of the Company incorporated in Sweden, is based on a statutory rate of 22%. The provision of current tax of Tridem Pharma S.A.S (“**Tridem Pharma**”), a subsidiary of the Company incorporated in France, is based on a statutory rate of 33.33%.

The major components of tax expenses for the six months ended 30 June 2020 and 2019 are as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current	467,327	464,045
Deferred	(75,246)	(87,524)
Total tax charge for the period	<u>392,081</u>	<u>376,521</u>

9. DIVIDENDS

The Directors did not recommend the payment of an interim dividend in respect of the six months period ended 30 June 2020 (for the six months period ended 30 June 2019: Nil).

The proposed final dividend of RMB0.39 (tax included) per ordinary share for the year ended 31 December 2019 was approved by the shareholders at the annual general meeting of the Company on 30 June 2020.

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,562,898,545 (for the six months period ended 30 June 2019: 2,563,006,778) in issue during the period.

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

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent	<u>1,714,710</u>	<u>1,516,120</u>
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	<u><u>1,714,710</u></u>	<u><u>1,516,120</u></u>
	Number of shares	
	2020	2019
	(unaudited)	(unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>2,562,898,545</u>	<u>2,563,006,778</u>
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	<u><u>2,562,898,545</u></u>	<u><u>2,563,006,778</u></u>

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2020.

11. TRADE AND BILLS RECEIVABLES

	30 June	31 December
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables	5,080,545	4,367,600
Bills receivable	<u>190,943</u>	<u>240,122</u>
	<u><u>5,271,488</u></u>	<u><u>4,607,722</u></u>

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

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Outstanding balances with ages:		
Within 1 year	4,999,855	4,302,722
1 to 2 years	144,630	111,346
2 to 3 years	67,601	61,584
Over 3 years	125,446	114,549
	5,337,532	4,590,201
Less: Provision for impairment	(256,987)	(222,601)
	5,080,545	4,367,600

12. TRADE AND BILLS PAYABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade payables	2,566,965	2,152,747
Bills payable	297,052	244,568
	2,864,017	2,397,315

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

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Outstanding balances with ages:		
Within 1 year	2,516,937	2,105,194
1–2 years	34,054	36,473
2–3 years	9,155	3,082
Over 3 years	6,819	7,998
	2,566,965	2,152,747

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The global and PRC economies faced substantial impact and uncertainties due to the COVID-19 pandemic in the first half of 2020. Meanwhile, the PRC medical system went through continuous and deepening reform, and medical insurance continued to exert cost control efforts. The overall growth of the pharmaceutical manufacturing industry continued to slow down, and drug prices, in particular the price of generic drugs, were under increasing downward pressure, while the research of innovative drugs enjoyed a period of relatively rapid development and they were rapidly covered by medical insurance. Medical devices and medical diagnosis benefited from the policies with opportunities for rapid development with import substitution acceleration. 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 continued to adhere to its business philosophy of “Innovation for Good Health”, focused on its core pharmaceutical and healthcare businesses, continued to develop product innovation and improve management as well as international development, and actively promoted innovation and transformation, integrated operation and steady development.

During the Reporting Period, the revenue of the Group slightly decreased by 0.85% to RMB13,965 million as compared to the corresponding period in 2019. In particular, the revenue from pharmaceutical manufacturing and research and development (R&D) segment amounted to RMB9,952 million, representing a decrease of 7.97% as compared to the corresponding period of 2019. The revenue from medical devices and medical diagnosis segment amounted to RMB2,639 million, representing an increase of 47.18% as compared to the corresponding period of 2019. The revenue from healthcare service segment amounted to RMB1,359 million, representing a decrease of 6.85% as compared to the corresponding period of 2019. In the first quarter, the pandemic affected the healthcare service segment and the injection business in the pharmaceutical manufacturing and R&D segment of the Group to a certain extent. With the orderly resumption of production and operation, revenue for the second quarter amounted to RMB8,098 million, representing an increase of 38.04% as compared to the first quarter, and a period-on-period increase of 9.96% from the second quarter of 2019.

During the Reporting Period, the Group recorded revenue from Chinese Mainland in the amount of RMB9,894 million. Revenue of an equivalent of RMB4,071 million was recorded from other countries or regions. The proportion of the Group's revenue from other countries or regions was 29.15%.

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

Unit: million Currency: RMB

Business segment	Revenue	Revenue	Period-on-
	Jan–Jun 2020	Jan–Jun 2019	period increase/ decrease (%)
Pharmaceutical manufacturing and R&D	9,952	10,814	–7.97
Medical devices and medical diagnosis	2,639	1,793	47.18
Healthcare services	1,359	1,459	–6.85

During the Reporting Period, the Group recorded 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 RMB1,715 million and RMB1,304 million, respectively, representing a respective increase of 13.10% and 11.71%, as compared to the corresponding period of 2019. Such increase was mainly due to, among others: (1) contributions from various anti-pandemic products including the nucleic acid test kits for 2019-nCoV, negative pressure ambulances and ventilators; (2) revenue from core products such as febuxostat tablets (You Li Tong), pitavastatin calcium tablets (Bang Zhi) and escitalopram tablets (Qi Cheng) increased rapidly, and the sales of human rabies vaccine sustained rapid growth; rituximab injection (Han Li Kang) achieved rapid sales growth after obtaining approval for its additional production scale (2,000L), with revenue amounting to RMB224 million for the first half of the year, and revenue for June exceeding RMB100 million; and (3) benefitting from the demands in the regulated markets, Gland Pharma, a subsidiary, maintained rapid growth.

In the first half of the year, the increase in net profit attributable to shareholders of the listed company was higher than the increase in revenue mainly due to the fact that: (1) gross margin for the period less selling expense ratio recorded a period-on-period increase of 2.6 percentage points; (2) profit growth for the period was mainly attributable to the growth of the subsidiaries with majority ownership; (3) decreased interest expenses as compared to the corresponding period; and (4) the effect of the acquisition of some minority stakes in Breas and Sisram Medical Limited (“**Sisram Medical**”).

During the Reporting Period, net cash flow from operating activities of the Group for the first half of 2020 amounted to RMB1,461 million, representing an increase of 0.77% as compared to the corresponding period of 2019.

During the Reporting Period, the Group continued to enhance its R&D expenditure. The total R&D expenditure amounted to RMB1,689 million, representing an increase of 25.02% as compared to the corresponding period of 2019. In particular, the R&D expenses amounted to RMB1,204 million, representing an increase of RMB355 million or 41.81% as compared to the corresponding period of 2019.

Pharmaceutical Manufacturing and R&D

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group generated revenue of RMB9,952 million, representing a decrease of 7.97% as compared to the corresponding period of 2019. The segment results and segment profit amounted to RMB1,116 million and RMB1,115 million, which decreased by 7.40% and 9.54% as compared to the corresponding period of 2019, respectively. The Group's R&D expenditure in the pharmaceutical manufacturing segment increased by 27.92% to RMB1,541 million, accounting for 15.4% of the revenue from the pharmaceutical manufacturing segment. In particular, R&D expenses increased by RMB335 million or 46.27% from the corresponding period of 2019 to RMB1,059 million, accounting for 10.6% of the revenue from the pharmaceutical manufacturing segment.

Since the outbreak of the COVID-19 pandemic in January 2020, certain injectable core products were affected and revenue from the pharmaceutical manufacturing segment decreased as compared to the corresponding period of 2019. With the orderly resumption of production and operation, revenue from the pharmaceutical manufacturing and R&D segment steadily recovered. In the first half of the year, revenue from core products such as febuxostat tablets (You Li Tong), pitavastatin calcium tablets (Bang Zhi) and escitalopram tablets (Qi Cheng) increased rapidly, recorded growth of 61.9%, 109.6% and 244.5%, respectively. The sales of human rabies vaccine sustained rapid growth. After obtaining approval for its additional production scale (2,000L), Rituximab injection (Han Li Kang) achieved rapid sales growth, with cumulative revenue amounting to RMB224 million for the first half of the year, and revenue for June exceeding RMB100 million; benefitting from the increase of demands in the regulated markets, Gland Pharma, a subsidiary, maintained rapid growth.

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

Unit: million Currency: RMB

	Jan–Jun 2020	Jan–Jun 2019 (<i>Note 1</i>)	Period-on- period increase on the same basis (%)
Pharmaceutical manufacturing and R&D			
Major products of metabolism and alimentary system therapeutic area (<i>Note 2</i>)	1,767	1,807	–2.19
Major products of anti-tumor therapeutic area (<i>Note 3</i>)	422	264	59.94
Major products of anti-infection therapeutic area (<i>Note 4</i>)	1,800	2,331	–22.77
Major products of central nervous system therapeutic area (<i>Note 5</i>)	755	1,224	–38.35
Major products of cardiovascular system therapeutic area (<i>Note 6</i>)	1,248	1,140	9.49
Major products of blood system therapeutic area (<i>Note 7</i>)	247	419	–41.03
Major products of APIs and intermediate products (<i>Note 8</i>)	452	675	–32.97

Note 1: The sales revenue from January to June of 2020 was restated on the same basis. New products were introduced, including lamivudine in the anti-infection therapeutic area; Penethyclidine hydrochloride injection (Chang Tuo Ning) in the central nervous system therapeutic area; and enoxaparin sodium for injection (Er Ye Nuo) and amlodipine besylate tablets (Ya Ni An) in the cardiovascular system therapeutic area.

Note 2: Major products of metabolism and alimentary system therapeutic area comprise febuxostat tablets (You Li Tong), reduced glutathione series (Atomolan injection and Atomolan tablets), animal insulin and its preparations, recombinant human erythropoietin for injection (CHO cells) (Yi Bao), glimepiride tablets (Wan Su Ping), compound aloe capsules (Ke Yi), thioctic acid injection (Fan Ke Jia), alfacalcidol tablets (Li Qing) and potassium chloride granules.

Note 3: Major products of anti-tumor therapeutic area comprise rituximab injection (Han Li Kang), Xihuang capsules (Ke Sheng), bicalutamide (Zhao Hui Xian), ondansetron, paclitaxel, pemetrexed disodium for injection (Yi Luo Ze), oxaliplatin and carboplatin.

- Note 4:* Major products of anti-infection therapeutic area comprise antimalarial series such as artesunate, cefmetazole sodium for injection (Xi Chang and Cefmetazon), rabies vaccine (VERO cell) for human use (non-freeze dried), potassium sodium dehydroandrographolide succinate for injection (Sha Duo Li Ka), cefminox sodium for injection (Mei Shi Ling), piperacillin sodium and sulbactam sodium for injection (Qiang Shu Xi Lin), lamivudine, daptomycin, anti-tuberculosis series, piperacillin sodium and tazobactam sodium for injection (Pai Shu Xi Lin), vancomycin, caspofungin, flucloxacillin sodium for injection (Ka Di), 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 comprise quetiapine fumarate tablets (Qi Wei), deproteinized calf blood injection (Ao De Jin), penehyclidine hydrochloride injection (Chang Tuo Ning) and escitalopram tablets (Qi Cheng).
- Note 6:* Major products of cardiovascular system therapeutic area comprise heparin sodium and other heparin series preparations, pitavastatin calcium tablets (Bang Zhi), Telmisartan tablets (Bang Tan), calcium dobesilate capsules (Ke Yuan), meglumine adenosine cyclophosphate for injection (Xin Xian An), alprostadil dried emulsion for injection (You Di Er), amlodipine besylate tablets (Shi Li Da and Ya Ni An) and indapamide tablets.
- Note 7:* Major products of blood system therapeutic area comprise hemocoagulase for injection (Bang Ting) and Cobamamide for injection (Mi Le Ka).
- Note 8:* Major products of APIs and intermediate products comprise amino acid series, clindamycin hydrochloride, tranexamic acid and levamisole hydrochloride.

During the Reporting Period, the Group continued to focus on innovation and international development, integrate and synergize its current product lines and various resources, strive to develop strategic products and optimize its pharmaceutical R&D system that integrated generic and innovative drugs. The Group also further increased its R&D investment. As at the end of the Reporting Period, there were nearly 2,300 staff members in the R&D team, representing approximately 7.2% of the total number of employees in the Group. The Group had 248 projects on pipeline innovative drugs, generic drugs, biosimilars and consistency evaluation of generic drugs (including 17 projects on small molecular innovative drugs, 2 projects on chemically improved new drugs, 21 projects on biopharmaceutical innovative drugs, 21 projects on biosimilars, 117 projects on generic drugs of international standards, 46 consistency evaluation projects and 2 projects on traditional Chinese medicine drugs). 22 projects were introduced in total, including 9 imported innovative drugs and 13 imported generic drugs. As at the end of the Reporting Period, there were 6 projects applying for clinical trial, 33 projects under clinical trial and 34 projects pending approval for marketing. During the Reporting Period, a total of 49 patents had been applied for in the pharmaceutical manufacturing and R&D segment of the Group, 31 of which were licensed invention applications, including 5 U.S. patent applications and 7 PCT applications, with 23 licensed invention patents obtained.

In the first half of 2020, the Group focused on increasing its R&D investment in small molecular innovative drugs, monoclonal antibody biopharmaceutical innovative drugs and biosimilars and CAR-T cell injection, and systematically pushed forward the introduction and registration of drug approvals and consistency evaluation of generic drugs. In order to strengthen the global R&D

system and capacity of its pharmaceutical products, the Group has established a Global R&D Center at the beginning of 2020, which is responsible for the overall management of the Group's innovative R&D projects, and strengthening the capabilities of pre-clinical research and clinical development of drugs centering in China, the U.S., and Europe. As at the end of the Reporting Period, 10 small molecular innovative drug products (including 1 improved new drug) and 11 indications had obtained approval for clinical trial in Chinese Mainland, 5 small molecular innovative drug products and 5 indications had obtained approval for overseas clinical trial. In particular: ORIN1001 had launched phase I clinical trial in the U.S. and was recognized by the U.S. Food and Drug Administration (“**U.S. FDA**”) under the Fast Track Development Program. Phase II clinical trial for SAF-189 was approved in the U.S., and 10 monoclonal antibody products and 8 combination therapies had launched more than 20 clinical trials worldwide. Ejilunsai injection (code FKC876, i.e. anti-human CD19 CAR-T cell injection) of Fosun Kite Biological Technology Co., Ltd. (“**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 was granted priority review status for the launch and registration of drugs. During the Reporting Period, Avatrombopag Maleate Tablet (Su Ke Xin), a licensed drug for the selective thrombocytopenia treatment of adult patients with chronic liver disease undergoing diagnostic procedures or surgery, was launched; and a total of 12 generic drugs of Gland Pharma received approval from the U.S. FDA for launch. As at the end of the Reporting Period, applications were made in respect of 3 products (Irinotecan Hydrochloride Injection, Dexrazoxane for injection and Zoledronic acid injections) of Gland Pharma for imported drug registration and Import Drug Licenses (IDL); and applications had already been made for 3 products (Zoledronic acid concentrated solution for injection, Caspofungin acetate for injection and Tigecycline for injection) of Gland Pharma for imported drug registration and clinical trial (CTA). As at the date of this announcement, the Group has had 23 products in total that have passed or are deemed to have passed the consistency evaluation of generic drugs, including the core products febuxostat tablets (You Li Tong, specifications: 40mg, 80mg) and pitavastatin calcium tablets (Bang Zhi) which passed the consistency evaluation during the Reporting Period, with You Li Tong being the first among its similar products to pass the consistency evaluation. Among the products that passed or were deemed to have passed the consistency evaluation of generic drugs, a total of 11 products won the three tenders for centralized and bulk purchase. Shanghai Fosun Pharmaceutical Industrial Development Company Limited* (上海復星醫藥產業發展有限公司) (“**Fosun Pharmaceutical Industrial**”), a subsidiary of the Company, received from the National Medical Products Administration (“**NMPA**”) the approval for clinical trial of the COVID-19 mRNA vaccine product candidate BNT162b1 licensed by BioNTech SE in Chinese Mainland, and had launch a phase I clinical trial in Chinese Mainland in July 2020. Trastuzumab for injection (EU trade name: Zercepac[®], trade name in Chinese Mainland: 汉曲优[®]) developed by Shanghai Henlius Biotech, Inc.* (上海復宏漢霖生物技術股份有限公司) (“**Shanghai Henlius**”) had been approved for sale in the EU and Chinese Mainland. It is expected that these pipeline products, licensed products as well as the generic drugs that have passed the consistency evaluation and won tenders 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	SAF-189 (Foritinib Succinate Capsules)	Clinical trial	Phase II	Preparation for clinical trial	Phase II (in the U.S.)
2	FCN-411	Clinical trial	Phase I	—	—
3	FN-1501	Clinical trial	Phase I	Clinical trial	Phase I (in the U.S. and Australia)
4	FCN-437	Clinical trial	Phase I	Clinical trial	Phase I (in the U.S.)
5	Wanpagliflozin Tablets	Clinical trial	Phase I	—	—
6	FCN-159	Clinical trial	Phase I	—	—
7	ORIN1001 ^(Note 1)	Clinical trial	Phase I	Clinical trial	Phase I (in the U.S.)
8	Docetaxel Polymeric Micelle for Injection	Clinical trial	Phase I	—	—
9	FCN-647 Capsules	Approved for clinical trial	—	—	—
10	FCN-207 Tablets	Approved for clinical trial	—	—	—
11	FCN-011 Capsules	Approved for clinical trial	—	—	—
12	FCN-338 Tablets ^(Note 2)	Applied for clinical trial	—	Approved for clinical trial (in the U.S.)	—

Note 1: Such drug had been recognized by the Fast Track Development Program of the U.S. FDA;

Note 2: As at the date of this announcement, such drug has been approved for clinical trial in Chinese Mainland.

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	Approved for sales (Note 1)	—	—	—
2		Trastuzumab Injection ^(note 2)	Under application for sales	Phase III	Under application for sales	Phase III
3		Adalimumab Solution Injection	Under application for sales	Phase III completed	—	—
4		Recombinant Anti-VEGF Humanized Monoclonal Antibody Injection	Clinical trial	Phase III ^(Note 3)	—	—
5	Biosimilars	Recombinant Anti-EGFR Human/Murine Chimeric Monoclonal Antibody Injection	Approved for clinical trial	—	—	—
6		Recombinant Anti-HER2 Domain II Humanized Monoclonal Antibody Injection	Approved for clinical trial	—	—	—
7		Recombinant Anti-VEGFR2 Domain II-III Fully Human Monoclonal Antibody Injection	Clinical trial	Phase I	—	—
8		Recombinant Fully Human Anti-CTLA-4 Monoclonal Antibody Injection	Approved for clinical trial	—	—	—
9		Recombinant Fully Human Anti-RANKL Monoclonal Antibody Injection	Approved for clinical trial	—	—	—
10		Recombinant Human/Murine Chimeric Anti-CD20 Monoclonal Antibody Injection	Clinical trial	Phase III ^(Note 4)	—	—
11		Recombinant Anti-VEGF Humanized Monoclonal Antibody Injection	Approved for clinical trial	—	—	—
12		Recombinant Anti-VEGFR2 Fully Human Monoclonal Antibody Injection ^(Note 5)	Clinical trial	Phase I	Approved for clinical trial	—
13	Biopharmaceutical innovative drugs	Recombinant Anti-EGFR Humanized Monoclonal Antibody Injection ^(Note 6)	Clinical trial	Phase Ib/II	Approved for clinical trial	—
14		Recombinant Humanized Anti-PD-1 Monoclonal Antibody Injection	Clinical trial ^(Note 7)	Phase II	Approved for clinical trial	—
15		Recombinant Fully Human Anti-PD-L1 Monoclonal Antibody Injection	Approved for clinical trial	—	Clinical trial (Note 8)	Phase I
16		HLX22 Monoclonal Antibody Injection	Clinical trial	Phase I	—	—
17		HLX55 Monoclonal Antibody Injection	Clinical trial	Phase I	—	—
18		HLX56 Monoclonal Antibody Injection	Approved for clinical trial ^(Note 9)	—	—	—

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
19	Combination treatment	Combo of Recombinant Humanize Anti-PD-1 Monoclonal Antibody Injection and Recombinant Anti-VEGF Humanized Monoclonal Antibody Injection	Clinical trial ^(Note 10)	Phase III	—	—
20		Combo of Recombinant Humanize Anti-PD-1 Monoclonal Antibody Injection and Recombinant Anti-EGFR Humanized Monoclonal Antibody Injection	Approved for clinical trial	—	—	—
21		Combo of Recombinant Humanize Anti-PD-1 Monoclonal Antibody Injection or Placebo with Chemotherapy (Cisplatin + 5-FU) as a First-Line Treatment for Locally Advanced or Metastatic Esophageal Squamous Cell Carcinoma	Clinical trial	Phase III	—	—
22		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	Clinical trial	Phase III
23		Combo of Recombinant Humanized Anti-PD-1 Monoclonal Antibody Injection with Chemotherapy as a Neo-/Adjuvant Treatment of Gastric Cancer	Clinical trial	Phase III		
24		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	Clinical trial	Phase III
25		Combo of Recombinant Humanized Anti-PD-1 Monoclonal Antibody Injection with Albumin-bound Paclitaxel as a Treatment for Advanced Cervical Cancer After Failure of First-Line Chemotherapy	Clinical trial	Phase II		

Note 1: In April 2020, the supplemental new drug applications for the addition of 2,000L drug substance production scale, 2,000L production equipment and the new addition of the specification of 500mg/50ml/bottle of rituximab injection (Han Li Kang) were approved by the NMPA. In July 2020, the supplemental applications for two new indications of rituximab injection (Han Li Kang) were approved by the NMPA.

- Note 2:* Such drugs for breast cancer indications commenced phase III clinical trial in Ukraine, Poland and the Philippines as at the end of the Reporting Period. During the Reporting Period, Shanghai Henlius Biopharmaceutical Co., Ltd.* (上海復宏漢霖生物製藥有限公司), a subsidiary of the Company, received two “Certificates of GMP Compliance of a Manufacturer” issued by Chief Pharmaceutical Inspector, a health regulatory body in Poland. Its biopharmaceutical manufacturing facility in Xuhui, Shanghai, successfully obtained the GMP certification by the EU in respect of the drug substance (DS) and drug product (DP) of trastuzumab for injection. As at the date of this announcement, HLX02 (trastuzumab for injection, EU trade name: Zercepac®; trade name in Chinese Mainland: 汉曲优®) was approved for launch in the EU and Chinese Mainland.
- Note 3:* Phase III clinical studies for metastatic colorectal cancer indications were completed.
- Note 4:* Such drugs for rheumatoid arthritis indications is at the stage of phase III clinical trial in Chinese Mainland.
- Note 5:* At the stage of phase I clinical trial for such drugs in the Taiwan region of China; furthermore, such drugs had been approved for clinical trial by the NMPA and the U.S. FDA as at the end of the Reporting Period.
- Note 6:* At the stage of phase Ib/II clinical trial for such drugs in Chinese Mainland; furthermore, such drugs had been approved for clinical trial by the U.S. FDA as at the end of the Reporting Period. The phase Ia clinical trial carried out in Taiwan region was completed.
- Note 7:* At the stage of phase I clinical trial for solid tumor indications in the Taiwan region of China; phase II clinical trial of such drugs on unresectable or metastatic microsatellite instability-high or mismatch repair-deficient solid tumor that have failed standard therapies was in progress in Chinese Mainland; phase II clinical trial of such drugs on chronic hepatitis B indications was in progress in the Taiwan region of China.
- Note 8:* At the stage of phase I clinical trial in Australia.
- Note 9:* Such drugs were approved for clinical trial in the Taiwan region of China.
- Note 10:* The Group had various combos of recombinant humanized anti-PD-1 monoclonal antibody injection and recombinant anti-VEGF humanized monoclonal antibody injection. The combos which are at the stage of clinical trial in Chinese Mainland include phase III clinical trial on the treatment of metastatic nonsquamous non-small cell lung cancer, phase II clinical trial on the treatment of advanced hepatocellular carcinoma and phase I clinical trial 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 license 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 Maleate Tablet	Thrombocytopenia associated with tumor chemotherapy	Clinical trial	Phase III
			Thrombocytopenia associated with elective diagnostic procedures or surgery of adult chronic liver disease patients	Approved for launch	—
			Chronic immune thrombocytopenia ^(Note 1)	Pre-IND	—
3	Chemical drugs	Tenapanor tablets	Irritable bowel syndrome with constipation	Preparation for clinical trial	Phase I
			Hyperphosphatemia in end-stage renal disease dialysis patients	Preparation for clinical trial	Phase III
4	Chemical drugs	Bremelanotide for injection	Impaired female sexual desire	Preparation for clinical trial	Phase I
5	Chemical drugs	Opicapone capsules	Parkinson syndrome	Clinical trial	Phase I
6	Chemical drugs	Ferric pyrophosphate citrate solution	Iron substitutes for dialysis patients	Preparation for clinical trial	Phase III
7	Chemical drugs	Fortacin spray	Premature ejaculation	Pre-IND	—
8	Therapeutic biological products type I	RT002	Moderate to severe glabellar lines in adults	Application for clinical trial accepted	—
			Solitary dystonia in adults	Application for clinical trial accepted	—
9	Preventive biological products type I	COVID-19 mRNA vaccine (BNT162b1) ^(Note 2)	Prevention of COVID-19	—	—

Note 1: As at the date of this announcement, the application for clinical trial of avatrombopag maleate tablet for the treatment of such indication has been accepted by the NMPA;

Note 2: As at the date of this announcement, COVID-19 mRNA vaccine (BNT162b1) has obtained approval from the NMPA for clinical trial in Chinese Mainland, and has commenced phase I clinical trial.

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. It 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 effectively improve the corporate management model, 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 actively participated in putting international cGMP certifications such as the U.S., the EU and World Health Organization (“WHO”) into practice, pushing forward internationalization of the companies in the pharmaceutical manufacturing segment. 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; 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., the EU, Japan, Australia, Brazil and other countries. 1 production line for oral solid dosage formulation and 3 production lines for injections of Guilin South Pharma Company Limited* (桂林南藥股份有限公司) obtained certification from the WHO-PQ; 1 production line for oral solid dosage formulation of Chongqing Yao Pharmaceutical Company Limited* (重慶藥友製藥有限責任公司) (“**Yao Pharma**”) was certified by Health Canada and the U.S. FDA; 1 freeze-dried aseptic production line of Jiangsu Wanbang Biopharmaceutical Company Limited* (江蘇萬邦生化醫藥集團有限責任公司) (“**Wanbang Pharma**”) received cGMP certifications from the EU; 1 production line for oral formulation of Jiangsu Wanbang received cGMP certifications from the U.S. FDA; and the drug substance (DS) line and drug product (DP) line for HLX02 at the biopharmaceutical production base of Shanghai Henlius Biopharmaceuticals Co., Ltd.* (上海復宏漢霖生物製藥有限公司) in Xuhui district, Shanghai obtained GMP certification from the EU.

During the Reporting Period, the Group continued to strengthen the construction and integration of the marketing system, and transformed its marketing mode to specialization, branding and digitization. It has formed a domestic and foreign marketing network and marketing team matching the existing products and the products to be marketed, to realize the sustainable development of marketing. As at the end of the Reporting Period, the Group has formed a marketing team of nearly 5,800 people, including overseas pharmaceutical and medical device marketing team of nearly 1,000 people. In terms of domestic marketing, the construction of marketing capabilities for high-end medical, primary medical, retail chain and other markets has been further improved, especially in the field of high-end hematological tumor diagnosis and treatment, a strong capability and management system has been established; the internet innovation platform has been used to facilitate marketing transformation, realize digital marketing; strengthen capacity building in bidding, market access and key customer management, and lay the foundation for subsequent marketing of listed products; in addition, through the cooperation and linkage with Sinopharm Group Co., Ltd. (“**Sinopharm**”), an investee of the Group, the Group will give full play to the advantages of Sinopharm’s distribution network and logistics distribution, and promote the expansion of the Group’s drug sales channels. In terms of international marketing, based on the mature sales network and upstream and downstream customer resources already possessed in the English-speaking and French-speaking regions of sub-Saharan Africa, the Group will further expand the scope of medical promotion business to consolidate our competitiveness in the African market; at the same time, set up marketing platforms in the U.S. and Europe, promote in-depth cooperation with multinational pharmaceutical companies, and increase the Group’s pharmaceutical sales in the international market.

Medical Devices and Medical Diagnosis

During the Reporting Period, the Group recorded revenue of RMB2,639 million from the medical devices and medical diagnosis segment, representing an increase of 47.18% as compared to the corresponding period of 2019; segment results amounted to RMB510 million, which increased by 74.69% as compared to the corresponding period of 2019; segment profit amounted to RMB434 million, which increased by 88.22% as compared to the corresponding period of 2019. The period-on-period increase in sales revenue and net profit were mainly attributable to the contributions from the anti-pandemic products, such as the nucleic acid test kits for 2019-nCoV, negative pressure ambulances and ventilators, as well as the increased volume of the genetic testing reagent for Thalassemias. The installation volume and surgical volume of Da Vinci surgical robotic system of Intuitive Surgical-Fosun (i.e. Intuitive Surgical — Fosun Medical Technology (Shanghai) Co., Ltd.* (直觀復星醫療器械技術(上海)有限公司) and Intuitive Surgical — Fosun (Hong Kong) Co., Ltd.* (直觀復星(香港)有限公司)), the joint ventures, both recovered rapidly since the second quarter. In the first half of 2020, 30 Da Vinci surgical robotic systems were installed, and approximately 18,500 surgical operations were performed in Chinese Mainland and Hong Kong, which has slightly period-on-period increase.

During the Reporting Period, the nucleic acid test kits for 2019-nCoV (Fluorescent PCR Method) independently developed by the Group has obtained emergency approval from the NMPA and registration certificates for medical devices (in-vitro diagnostic reagents). The nucleic acid test kits for 2019-nCoV also obtained relevant qualifications and certifications in certain countries and regions, including the U.S., the EU and Australia. In the first half of the year, the revenue from the test kits for 2019-nCoV and relevant products amounted to more than RMB500 million. In addition, in order to meet the need for the treatment of COVID-19 pandemic, the Group responded quickly and provided material logistics for the prevention and control of the pandemic, including undertaking the production task of negative pressure ambulances, further expanded the production capacity of ventilators to ensure the global supply of ventilators, and ensured the supply of portable full body CT scanners, reducing the risk of cross-infection in multiple departments caused by patient transfer.

During the Reporting Period, the operating results of Sisram Medical were affected to a certain extent due to the effect of COVID-19 pandemic on the downstream medical cosmetic industry. In the first half of 2020, the revenue of Sisram Medical amounted to US\$72 million and net profit amounted to US\$6 million (based on the financial statements of Sisram Medical in its reporting currency), which has a slightly period-on-period decrease. While resuming business operations at a steady pace, Sisram Medical continued to develop the global market (especially the emerging markets), strengthened its new product portfolio, in particular, by increasing R&D investment in minimally invasive treatment systems and extended its production lines into the clinical treatment area. Its three new products launched in the first half of 2020, namely Derma Clear, Harmony XL Pro and Opus Plasma (North America version) received extensive attention and positive responses from the market.

In the first half of 2020, the Group's self-developed fully automated chemiluminescence instrument and its supporting reagent products were launched onto the market with gradually increasing sales quantities. The relevant supporting reagents had 44 projects in aggregate that had obtained a registration approval number. Mycare, an exclusive product for blood concentration monitoring of antipsychotic drugs, received recognition from end-users, rapidly opening up its market. Glycotest (liver cancer diagnosis) and other new products were under the registration phase.

Healthcare Services

During the Reporting Period, affected by COVID-19 pandemic, the number of patient visits and inpatients of medical service institutions of the Group both declined as compared to the corresponding period of 2019. The revenue from healthcare service segment amounted to RMB1,359 million for the first half of the year, representing a decrease of 6.85% as compared to the corresponding period of 2019; due to the relatively high proportion of fixed costs in hospital operating costs, relatively rigid expenditures, and the impact of the initial losses of newly opened institutions, the decrease in medical service business profits was higher than that in revenue, segment results for the first half of the year were RMB31 million, representing a decrease of 81.43% as compared to the corresponding period of 2019, and segment profit was RMB2 million, representing a decrease of 98.40% as compared to the corresponding period of 2019. In the second

quarter, as the pandemic in the PRC gradually stabilized, each of the member hospitals adopted various measures, including strengthening their disciplines and increasing the number of levels 3 and 4 surgeries, to gradually restore their businesses. The revenue for the quarter increased by 37.8% as compared with that for the first quarter.

During the Reporting Period, through continuous promotion of specialties layout at medical institutions, as well as internal integration and external expansion, the Group established regional medical centers and a supply chain spanning major health industries to enhance operating capabilities and profitability of the healthcare service segment. As at the end of the Reporting Period, the Group 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 institutions controlled by the Group, namely Foshan Chancheng Central Hospital Company Limited* (佛山市禪城區中心醫院有限公司) (“**Chancheng Hospital**”), Shenzhen Hengsheng Hospital* (深圳恒生醫院), Suqian Zhongwu Hospital Co., Ltd.* (宿遷市鐘吾醫院有限公司)/Suqian Cancer Hospital* (宿遷市腫瘤醫院) (“**Suqian Zhongwu Hospital**”/“**Suqian Cancer Hospital**”), Wenzhou Geriatric Hospital Limited Company* (溫州老年病醫院有限公司), Yueyang Guangji Hospital Company Limited* (岳陽廣濟醫院有限公司) (“**Guangji Hospital**”), Anhui Jimin Cancer Hospital* (安徽濟民腫瘤醫院), Wuhan Jihe Hospital Co., Ltd.* (武漢濟和醫院有限公司), Zhuhai Chancheng Hospital Limited* (珠海禪誠醫院有限公司), Huai'an Xinghuai International Hospital Co., Ltd.* (淮安興淮國際醫院有限公司) and Suqian Xingxing Rehabilitation and Medical Examination Company Limited* (宿遷市新星康復體檢有限公司), had a total of 4,328 authorized beds available for the public.

During the Reporting Period, with respect to operation management of healthcare services including, among others, the management systems and frameworks of medical, nursing, technical and other medical professions and functions of finance, EHS, procurement, infrastructure 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 of the healthcare service segment was also strengthened.

As a non-public medical institution, the Group 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 11 major disciplinary alliances, while many of its controlling hospitals have completed the construction of key specialty hospitals on a municipal level and provincial level, in their 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 medical institutions controlled by the Group, Suqian Cancer Hospital became a class II cancer hospital. Through the efforts in establishing this hospital classification, the groundwork for the business roadmap had been laid, which involved 5 Class II hospitals led and supported by 3 Class III hospitals in terms of business and discipline development, all playing 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. Chancheng Hospital and Suqian Zhongwu Hospital had obtained their internet hospital license, and would continue to explore and participate in the new Internet medical industry to achieve a closed loop of online and offline services.

Pharmaceutical Distribution and Retail

In the first half of 2020, Sinopharm realized a revenue of RMB203,764.71 million, represented a period-on-period increase of 1.04% as compared to last year, net profit of RMB4,803.38 million and net profit attributable to shareholders of the parent of RMB2,895.68 million, which represented a period-on-period decrease of 3.32% and 2.67% as compared to last year, respectively. The overall business performance in the second quarter recovered significantly from the low point in the first quarter.

In respect of the pharmaceutical distribution sector, Sinopharm continues to strengthen the coverage of primary health care institutions, expand the construction of community hospital distribution networks, and comprehensively enhance the core competitive advantage of the pharmaceutical distribution business by virtue of its integrated operation and business resource synergy advantages. In the first half of 2020, Sinopharm's revenue from the pharmaceutical distribution business decreased by 4.38% period-on-period to RMB157,494.67 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 7,047, the scale of which continued to lead in the industry. In the first half of 2020, Sinopharm's sales revenue from retail pharmacy maintained relatively rapid growth, reaching RMB11,015.77 million, representing an increase of 24.59% as compared to the corresponding period of last year.

In respect of medical device distribution, Sinopharm actively seized the important opportunities of the consolidation of medical device industry and makes full use of its competitive advantage in the "pharmaceutical-device linkage". During the Reporting Period, the COVID-19 pandemic had a major impact on the product structure of the medical device business. The demand for consumables such as ventilators, coronavirus detection reagents, and protection related to pandemic prevention and control increased significantly, but the sales of conventional medical business consumables and equipment slowed down. In the first half of 2020, Sinopharm's medical device business sales revenue reached RMB35,873.04 million, representing a period-on-period increase of 23.59%.

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 in order to further consolidate resources and achieve integration and circulation of the Group's internal resources to facilitate business development. In respect of the pharmaceutical manufacturing and R&D segment, the Group forged production and technological cooperation between domestic and overseas enterprises and personnel exchanges, which further accelerated its internationalization process, enhanced the market shares of its products and increased its R&D capabilities together with its internationalized drug registration and declaration capabilities, pushing forward the industrial upgrade and R&D capabilities of the Group's pharmaceutical manufacturing business. In respect of pharmaceutical distribution and retail, by virtue of the cooperation and linkage with Sinopharm, the Group also fully utilized Sinopharm's advantages in distribution network and logistics to facilitate the expansion of sales channels of the Group's pharmaceutical products.

In respect of digital technology innovation, adhering to implementing the "4IN" strategy, the Group has used digital empowerment to comprehensively promote its digital transformation and upgrading, established a unified data platform and governance system, and promoted the implementation of the large and medium platform strategy that matches the business needs of the Group. By making use of new technologies such as information technology, big data and artificial intelligence to realize cost reductions and efficiency, the operational efficiency of the Group is improved, boosting the rapid growth of businesses. During the Reporting Period, a pharmaceutical R&D electronic reporting and registration management platform and a lean project management platform were developed. An Internet hospital was built to provide all-digital online medical consultation services. The Group also built a new Internet marketing platform, upgraded its video conferencing system, and promoted the iteration and innovation of supply chain through in-depth exploration, analysis and refinement of needs.

In collective procurement and strategic procurement, the Group has further promoted collective procurement projects in cross-business segments and sectors, expanded new collective procurement categories, realizing cost reduction and efficiency by fully exerting the platform effect. During the Reporting Period, the Group further improved its procurement management measures and system construction and strengthened cross-function collaboration between departments to enable procurement. It continued to promote the digitalized procurement platform, which demonstrated a closed-loop characteristic, integrity, transparency, comparability and traceability in the procurement business, to improve the collaboration and work efficiency of the procurement business, supporting the implementation of cost reduction and efficiency enhancement. The Group continued to push forward green supply chain projects, conduct audits on suppliers of raw, auxiliary and packaging materials, iterated the risk control system to monitor the key stage in procurement, focused on investigation of violations such as bid rigging, eliminated risks in advance through investigation, and included the malicious bid-rigging parties in the blacklist for management and display, so as to purify the procurement environment.

In respect of anti-corruption compliance, the Company has formulated policy documents including the Anti-Corruption Regulations of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (《上海復星醫藥(集團)股份有限公司反腐敗條例》), the Administrative Regulations on Reporting of Shanghai

Fosun Pharmaceutical (Group) Co., Ltd.* (《上海復星醫藥(集團)股份有限公司舉報管理規定》) and the Regulations on the Protection and Reward of Informers and Witnesses of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (《上海復星醫藥(集團)股份有限公司舉報人、證人保護與獎勵規定》), 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”. With integrity supervision and case investigation and by optimizing management system and strengthening risk prevention and control, the Group has continued to improve the prevention-monitoring-penalty management system of anti-corruption compliance, actively promoting its integrity and compliance. The Group has paid attention to the anti-corruption dynamics in the pharmaceutical and medical industry and revealed risks in a targeted manner with reference to specific cases, achieving educational and preventive effect on employees, while actively carrying out anti-corruption training and publicity at the same time. During the Reporting Period, the Company provided special anti-corruption and compliance training for the its Directors, Supervisors and senior management, and provided anti-corruption themed training and education on work integrity for new employees.

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/units 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, to cope with the COVID-19 pandemic, the Group required its subsidiaries/units to establish special team for pandemic prevention and control, and specified relevant pandemic prevention requirements, such as health management and control of corporate employees, personnel in some key positions and external personnel, and the protection works for public facilities management. The API enterprises implemented safety reviews before operating process equipment in accordance with the requirements of process safety management. 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/units 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. Meanwhile, 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 continuously building up the competency of EHS teams. In addition to hiring talents, the Group provided online classes and systematic teaching and mentoring and other occasions to enhance the knowledge and competency of EHS professionals at each subsidiary/entity. At the same time, in terms of EHS cultural construction, taking the EHS Management Month as an opportunity, the Group further strengthened the pyramid-shaped EHS cultural layout of “attention of the senior level, promotion of the middle level, and participation of the junior level”, to enhance the EHS execution and full participation of each subsidiary/unit.

Financing

During the Reporting Period, the Group continued to optimize its debt structure and reasonably controlled the debt scale and comprehensive financing cost. In the first half of the year, the Company completed the respective application for the quota registration for corporate bonds and inter-bank market debt financing instruments, and successfully issued two tranches of super short-term commercial papers. It also actively expanded its good cooperation with domestic and foreign financial institutions, and obtained financing support from banks, such as the anti-pandemic special loan. The smooth and diversified financing channels provide a sound guarantee for the sustainable development of the Group.

A. Analysis on Principal Operations

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

Unit: million Currency: RMB

Items	Amount for the period	Amount for the corresponding period of last year	Period-on-period change (%)	Reasons
Revenue	13,965	14,085	-0.85	
Cost of sales	6,216	5,599	11.02	
Selling and distribution expenses	3,931	4,998	-21.35	Note 1
Administrative expenses	1,322	1,148	15.16	
Research and development expenses	1,204	849	41.80	Note 2
Finance costs	428	547	-21.76	Note 3
Net cash flow generated from operating activities	1,461	1,450	0.77	
Net cash flow generated from investment activities	-2,379	-1,079	-120.55	Note 4
Net cash flow generated from financing activities	827	-496	266.75	Note 5

Note 1: During the Reporting Period, the Group has maintained and increased its strategic investment, such as sales team formation and market development, in newly launched products (Rituximab injection (Han Li Kang)) and products proposed to be launched (Avatrombopag Maleate Tablet (Su Ke Xin) and trastuzumab for injection (Han Qu You), etc.). The main reasons for the period-on-period decrease in sales expenses in the current period were due to: ① changes in the sales revenue structure; ② the conversion of some offline activities to online, which correspondingly reduced travel and conference expenses; ③ the influence of factors such as the Group's continued strengthening of sales expense control.

Note 2: Mainly due to the increase in the R&D expenditure in biopharmaceutical drugs, small molecular innovative drugs and imported innovative drugs, and increased investment in innovation incubation platform during the Reporting Period.

Note 3: The period-on-period decrease in interest expenses was mainly due to the period-on-period decrease in financing costs and average interest-bearing debt during the Reporting Period, as well as the foreign exchange gains from the sales amount of some subsidiaries denominated in US dollars during the Reporting Period.

Note 4: Mainly due to a period-on-period increase in the amount paid for investment activities such as fixed asset investment during the Reporting Period.

Note 5: Mainly due to the increase in net inflow from financing activities as a result of the issuance of super short-term commercial papers and other factors during the Reporting Period.

(2) *R&D expenditure*

① R&D expenditure

Unit: million Currency: RMB

R&D expenditure expensed for the period	1,204
R&D expenditure capitalized for the period	485
Total R&D expenditure	1,689
Total R&D expenditure as a percentage of revenue (%)	12.0
R&D expenditure in the pharmaceutical manufacturing and R&D segment as a percentage of the revenue from the pharmaceutical manufacturing and R&D segment (%)	15.4
Percentage of R&D expenditure capitalized (%)	28.69

② Descriptions

During the Reporting Period, the R&D expenditure in the pharmaceutical manufacturing and R&D segment amounted to RMB1,541 million, representing an increase of RMB336 million or 27.92% as compared to the corresponding period of 2019, accounting for 15.4% of the revenue from the pharmaceutical manufacturing and R&D segment. With the continuous advancement of the innovation and transformation strategy, the Group's R&D resources were more directed towards biopharmaceutical drugs and innovative drugs, and the pipeline layout of biopharmaceutical drugs was gradually transitioning from biosimilars to biopharmaceutical innovative drugs. At the same time, in the R&D of small molecular drugs, independent R&D and product introduction were being conducted in parallel. As small molecular innovative drugs gradually entered the clinical stage, R&D expenditure was also increasing steadily. The increase in R&D expenditure during the Reporting Period was mainly due to the increase in R&D expenditure in biopharmaceutical drugs, small molecular innovative drugs and imported innovative drugs, and the increase in investment in innovation incubation platform.

B. Analysis of Segment and Regional Operations

(1) Principal Operations by Segments and Products

Unit: million Currency: RMB

Principal operations by segments						
By segments	Revenue	Cost of sales	Gross profit margin (%)	Period-on-period change in revenue (%)	Period-on-period change in cost of sales (%)	Period-on-period change in gross margin
Pharmaceutical manufacturing and R&D ^(Note 1)	9,952	3,754	62.28	-7.97	3.79	decrease of 4.27 percentage points
Medical devices and medical diagnosis	2,639	1,309	50.40	47.18	49.21	decrease of 0.68 percentage point
Healthcare services ^(Note 2)	1,359	1,130	16.82	-6.85	4.68	decrease of 9.16 percentage points

Principal operations by products						
By products	Revenue	Cost of sales	Gross profit margin (%)	Period-on-period change in revenue (%)	Period-on-period change in cost of sales (%)	Period-on-period change in gross margin
Major products of metabolism and alimentary system therapeutic area ^(Note 3)	1,767	278	84.26	-2.19	-4.51	increase of 0.38 percentage point
Major products of anti-tumor therapeutic area ^(Note 4)	422	119	71.89	59.94	71.10	decrease of 1.83 percentage points
Major products of anti-infection therapeutic area ^(Note 5)	1,800	631	64.93	-22.77	-1.68	decrease of 7.52 percentage points
Major products of central nervous system therapeutic area ^(Note 6)	755	48	93.63	-38.35	-16.94	decrease of 1.64 percentage points
Major products of cardiovascular system therapeutic area ^(Note 7)	1,248	484	61.20	9.49	20.22	decrease of 3.46 percentage points
Major products of blood system therapeutic area ^(Note 8)	247	20	91.74	-41.03	-0.42	decrease of 3.37 percentage points
Major products of APIs and intermediate products	452	330	27.11	-32.97	-31.29	decrease of 1.79 percentage points

Principal operations by geographical locations

By geographical locations	Revenue	Cost of sales	Gross profit margin (%)	Period-on-period change in revenue (%)	Period-on-period change in cost of sales (%)	Period-on-period change in gross margin
Chinese Mainland	9,894	4,093	58.63	-8.30	11.40	decrease of 7.32 percentage points
Overseas countries or regions	4,071	2,123	47.84	23.53	10.29	increase of 6.26 percentage points

Note 1: The decrease in gross profit margin of drug manufacturing and R&D business was mainly due to:
① the impact of changes in sales revenue structure; ② the decrease in sales of injection products in anti-infection, central nervous system and blood system, resulting in the rise of unit fixed cost.

Note 2: The decrease in gross profit margin of healthcare services business was mainly due to the decrease in the number of patients in the first half of the year, but the fixed cost accounted for a high proportion in the operating cost, resulting in the rise of unit fixed cost.

Note 3: The revenue from major products of the metabolism and the alimentary system therapeutic area recorded a period-on-period decrease of 2.19%, mainly due to the sales decrease of reduced glutathione series (Atomolan injection, Atomolan tablet).

Note 4: The revenue from major products of the anti-tumor therapeutic area recorded a period-on-period increase of 59.94%, mainly due to the sales growth of rituximab injection (Han Li Kang).

Note 5: The revenue from major products of the anti-infection therapeutic area recorded a period-on-period decrease of 22.77%, mainly due to the sales decrease of cefmetazole sodium for injection (Xi Chang and Cefmetazon) and other antibiotic injections and anti-tuberculosis series products. The decrease in gross profit margin was mainly due to the increase in unit fixed costs caused by the decrease in sales volume.

Note 6: The revenue from major products of the central nervous system therapeutic area recorded a period-on-period decrease of 38.35%, mainly due to the sales decrease of deproteinized calf blood injection (Ao De Jin).

Note 7: The revenue from major products of cardiovascular system therapeutic area recorded a period-on-period increase of 9.49%, which was mainly due to the net impact of the sales increase of heparin series preparations and pitavastatin calcium tablets (Bang Zhi) and the sales decrease of alprostadi dried emulsion (You Di Er).

Note 8: The revenue from major products of blood system therapeutic area recorded a period-on-period decrease of 41.03%, mainly due to the sales decrease of hemocoagulase for injection (Bang Ting) and Cobamamide for injection (Mi Le Ka).

C. Analysis of Major Subsidiaries and Investee Companies

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

① Operation and Results of Major Subsidiaries

Unit: million Currency: RMB

Name of subsidiary	Nature of business	Major products or services	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Yao Pharma	Pharmaceutical manufacturing and R&D	Atomolan, You Di Er, Sha Duo Li Ka, Xi Chang, Cefmetazon, etc.	197	5,753	3,514	2,414	485	416
Wanbang Pharma	Pharmaceutical manufacturing and R&D	You Li Tong, Yi Bao, Xihuang capsules, Wan Su Ping, enoxaparin sodium series, etc.	440	5,176	2,770	2,825	441	369
Gland Pharma	Pharmaceutical manufacturing and R&D	Heparin sodium, vancomycin, rocuronium bromide, etc.	N/A	6,956	5,645	1,476	562	419
Avanc Pharmaceutical Co., Ltd. (錦州奧鴻藥業有限責任公司)	Pharmaceutical manufacturing and R&D	Ao De Jin, Bang Ting, Chang Tuo Ning, etc.	510	2,626	1,864	599	64	61

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

② Status of Major Subsidiaries of Other Business Segments

Unit: million Currency: RMB

Name of subsidiary	Nature of business	Major products or services	Registered capital	Total assets	Net assets	Revenue	Net profit
Shanghai Henlius ^(Note 1)	Pharmaceutical manufacturing and R&D	Han Li Kang	543	5,536	3,708	110	-448
Chancheng Hospital ^(Note 2)	Healthcare services	Healthcare services	50	2,528	1,728	686	41
Sisram Medical ^(Note 1)	Medical devices manufacturing and R&D	Medical cosmetics devices, medical devices	N/A	2,745	2,302	504	40

Note 1: The data for Shanghai Henlius and Sisram Medical were extracted from their respective published 2020 interim results announcements;

Note 2: The data of Chancheng Hospital included appreciation of asset valuation and amortization of appreciation of asset valuation.

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

Unit: million Currency: RMB

Name of investee	Nature of business	Principal activities	Registered capital	Total assets	Net assets	Revenue	Operating profit
Sinopharm Industrial Investment Co., Ltd.* (國藥產業投資有限公司)	Pharmaceutical investment	Pharmaceutical investment	100	307,273	84,008	203,765	4,808

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

① Acquisition of Subsidiaries during the Reporting Period

On 27 February 2020, Shanghai Fosun Long March Medical Science Co., Ltd.* (上海復星長征醫學科學有限公司) (“**Fosun Long March**”), a subsidiary, entered into an equity transfer agreement with Yang Zhijun, pursuant to which Fosun Long March acquired 50% equity interest in Shanghai Xingyao Medical Technology Development Co., Ltd.* (上海星耀醫學科技發展有限公司) (“**Xingyao Medical**”) held by Yang Zhijun. As at the end of the Reporting Period, Fosun Long March held 100% equity interest in Xingyao Medical.

On 8 April 2020, Fosun Pharmaceutical Industrial, a subsidiary, entered into a Share Transfer Agreement with CMIC Pharmaceutical Technology Development (Beijing) Co., Ltd.* (希米科醫藥技術發展(北京)有限公司) (“**CMIC (Beijing)**”), pursuant to which Fosun Pharmaceutical Industrial acquired 51% equity interest in CMIC (Suzhou) Pharmaceutical Technology Co., Ltd.* (希米科(蘇州)醫藥科技有限公司) (now known as Fosun Aidi (Suzhou) Pharmaceutical Technology Co., Ltd.* (復星艾迪(蘇州)醫藥科技有限公司)) (“**CMIC Pharmaceutical**”) held by CMIC (Beijing). As at the end of the Reporting Period, Fosun Pharmaceutical Industrial held 100% equity interest in CMIC Pharmaceutical.

The acquisition of the subsidiaries during the Reporting Period had the following effect on the Group’s production and results:

Unit: million Currency: RMB

Name of subsidiary	Acquired through	Net assets	Net profit	Date of acquisition/merger
		(as at the end of Reporting Period)	(from date of acquisition/merger up to the end of Reporting Period)	
Xingyao Medical	Equity transfer	47	25	19 March 2020
CMIC Pharmaceutical	Equity transfer	4	-6	9 May 2020

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

② Disposal of Subsidiaries during the Reporting Period

On 29 February 2020, the company cancellation of Foshan Chanyi Health Management Company Limited* (佛山市禪怡健康管理有限公司) (“**Chanyi Health**”), a former subsidiary, was completed.

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

Unit: million Currency: RMB

Name of subsidiary	Disposed through	Net assets as at date of disposal	Net profit from beginning of Reporting Period to date of disposal	Date of disposal
Chanyi Health	Company cancellation	0	—	29 February 2020

D. Core Competence Analysis

The Group focuses on pharmaceutical manufacturing and 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 and R&D, medical devices and medical diagnosis. The healthcare services business also takes 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 superior 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 innovation and transformation, integrated operation and steady development in the future.

E. Employees and Remuneration Policies

As at the end of the Reporting Period, the Group had a total of 30,925 employees. The employee's remuneration policies of the Group are formulated on the basis of the results, work experience and salary level prevailing in the market.

2. Business Outlook for the Second Half of 2020

In the second half of 2020, the prevention and control of the COVID-19 pandemic is expected to enter into a normalization stage. The Group will continue to adopt various measures to ensure the orderly and smooth operation activities by fully absorbing the experience of work and production resumption and pandemic control in the first half of the year.

In the second half of 2020, the Group will adhere to the innovation strategy, improve the efficiency of operations and R&D, achieve the transformation and practice of global innovative advanced technology, strengthen the upgrading and optimization of manufacturing, supply chain and marketing systems, actively promote the improvement of the international level of the industry, and provide more valuable medicine/treatment options for patients. The Group will continue to promote cost reduction and efficiency enhancement, and improve profitability. At the same time, the industry is empowered through the Internet, digital, and intelligent technology. In addition, as the capital market's requirements for ESG are further in line with international standards, in the second half of 2020, the Company will actively promote the improvement of the ESG system under the guidance of the Board and its ESG committee, and upgrade the Company's sustainability rating in the capital market performance.

Pharmaceutical R&D and Manufacturing

In the second half of 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, trastuzumab for injection (Han Qu You), Adalimumab solution injection and Ejilunsai Injection (code FKC876, i.e. anti-human CD19 CAR-T cell injection) and the insulin series, while maintaining the Group's market position and product growth in the original key areas and products; accelerate launch and sales and clinical trial of Avatrombopag Maleate (Su Ke Xin), Trifluridine and Tipiracil Hydrochloride Tablets, Lonsurf and vaccine products against COVID-19 and other licensed drugs; strengthen the synergy around Gland Pharma's business, including the promotion of the import and registration of products including Irinotecan hydrochloride injections, Dexrazoxane and Zoledronic acid injections, as well as the sales and expansion of certain products in the overseas market; continue to enhance the sales of the 11 products that have passed the consistency evaluation of generic drugs and won the bid in the centralized procurement bidding (febuxostat tablets, pitavastatin calcium tablets, quetiapine fumarate tablets, ethambutol hydrochloride tablets, memantine hydrochloride tablets, amlodipine besylate tablets, escitalopram oxalate tablets, indapamide tablets, clindamycin hydrochloride capsules, azithromycin capsules, isoniazid tablets) and strengthen efforts in the marketing of 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.

In the second half of 2020, with patients constantly as 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 and the progress of the clinical trial of licensed import projects while supporting innovation. 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 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 expenses driven by the cooperation tie of “proposal plus technology platform”. 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, searching for new momentum and solidifying the core competence of its pharmaceutical manufacturing business.

Medical Devices and Medical Diagnosis

In the second half of 2020, the Group will increase its investments in R&D, manufacturing and sales of medical devices, and, at the same time, continue to leverage its strengths in expanding international operations while targeting precise medical care, so as to achieve growth in the scale of its medical devices business.

Sisram Medical will pay close attention to the changes in and the development of the industry and consumer behavior, accelerate digital investment and integration, and deepen the investment and layout in direct sales channels and consumer terminals. Sisram Medical will also actively explore synergy and innovation in business models with other business segments in order to extend its coverage in the industry chain. In the field of pre-hospital first aid, the Group will provide public health mobile first aid solutions through the development of new products, continue to optimize production processes and improve production efficiency. The Group will also actively promote the increase of installation volume within the approved quota of Da Vinci surgical robotic system, further stabilize the production capacity and supply chain of ventilators, and continuously introduce new products and overall solutions in the fields of lung diseases and breathing and sleep.

Meanwhile, the Group will continue to leverage its strengths in 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.

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 the second half of 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 into 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, introduce top medical technology and advanced medical equipment and further expand the scale of our healthcare services business. Meanwhile, the Group will also promote the reconstruction and expansion of Suqian Zhongwu Hospital and Guangji Hospital as well as the construction of Chongqing Xingrong Cosmetic Surgery Hospital* (重慶星榮整形醫院), Xuzhou Women's and Children's Hospital* (徐州婦兒醫院), Shanghai Star-Kids Children's Hospital* (上海星晨兒童醫院) and other projects, and positively seek new opportunities for mergers and acquisitions of healthcare services.

Pharmaceutical Distribution and Retail

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

Financing

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

3. POTENTIAL RISKS

I. Risks in relation to industry policies and system reforms

The pharmaceutical industry is one of the industries most affected by national policies in the PRC, involving various government departments, ministries and commissions and institutions such as national medical insurance, health, drug supervision and administration, industrialization and informatization, technology and intellectual property rights. With the intensified efforts in the reform of drug production and manufacturing, medical health and

medical protection, the pharmaceutical market environment continues changing significantly, and innovative transformation, industry consolidation and transformation in business models are inevitable. The implementation and promotion of a series of new policies such as reform direction of “Three Medical Linkages”, centralized procurement in quantity, rational use of drugs, zero price markups on medicine, medical expense growth control, restriction on adjuvant drugs, price adjustments for medical insurance payments, tendency to innovative medicine with high cost efficiency in the Medical Insurance Catalogue affect the production costs and profitability of the entire pharmaceutical industry, and have brought about a new competitive structure to the industry.

In terms of medical devices, the R&D and innovation support for high-end equipment has been increased, and the pace of domestic substitution has been significantly accelerated. The centralized procurement of high-value consumables has brought major changes in the circulation field. The demand for remote intelligent and networked medical equipment and service models is obvious. The financial increase in the allocation of equipment in primary hospitals, and the need for the construction of public health emergency mechanisms have clearly promoted the industry.

In the field of healthcare services, uncertainties remain in the reforms of public hospitals, which account 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 policies on medical insurance payments, the advancement of consistency evaluation of generic drugs, and the implementation of centralized procurement of drugs in quantity, the existing situation in the generic drug industry with an excessive number of pharmaceutical manufacturing companies, a fragmented market and low market concentration will change. More and more international pharmaceutical companies are competing through low prices, leading to tougher competitions. It is expected that there will be further concentration in the industry. With the progressing supply-side reforms, the market share and profit margins of generic pharmaceutical products will be subject to further pressure. In the field of innovative drugs, since the market size of

generic drugs has been drastically shrunk, numerous generic drugs companies seek transformation. In addition, with China's entry into the ICH (i.e. The International Council for 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 independent development and introduction as a two-wheel drive, strengthen innovation research and development investment, enrich product lines, optimize product structure, and enhance the efficiency R&D of products under research. At the same time, the Group enhances the benefits from economies of scale, and actively reduces costs and increases productivity for production. For marketing, the Group increases efforts in market development and enhances products coverage, so as to expand market coverage.

III. *Business and operating risks*

(1) *R&D risk of drugs*

Drugs must undergo processes ranging from preclinical research, clinical trial, 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 the profitability and development of the Group.

In this regard, the Group will continue to strictly implement the assessment process for approval, R&D process and clinical study and coupled with effective reward and punishment mechanisms to continuously improve R&D efficiency, and strengthen the development of drug registration teams. While supporting innovation, the Group will

actively promote the quick approval of existing products under research and introduced products by way of licensing. 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 the society pays a great deal of attention to their quality. The Group has been continuously increasing its management efforts and investment in technological transformation in terms of quality management. The technology and equipment standards of each subsidiaries/units has 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 laws and regulations due to various reasons such as poor management in the actual course of operation.

The healthcare services segment may be subject to risks of medical malpractice claims or disputes, including complaints and disputes between doctors and patients arising from surgical errors, medical misdiagnosis and incidents relating to defects of treatment and diagnostic devices. In the event of serious medical malpractice, relevant compensation and loss may be incurred by the Group, which may in turn affect the operation results, brand and market reputation of the Group's healthcare services segment.

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

(3) *Safety and environmental risks*

Manufacturing companies are exposed to safety and environmental risks during the production process. In the process of production of drugs, medical devices and diagnostic products, because of the dangerous chemical substances involved in the bulk drug,

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

In this regard, the Group strengthens production safety management, focuses on staff training, implements relevant safety production measures, and reasonably 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 the overseas markets, difference in the demands between overseas and domestic customers, and implementation of trade protection policies in certain countries. At the same time, with the further expansion of the Group's global sales network, the scale of sales and the scope of business scope, there are higher requirements on the operating and management ability of the Group. If the Group's capability regarding production, marketing, quality control, risk management, compliance with integrity and talent training does not align with the development pace of the internationalization of the Group or the requirement for the expansion of the Group, the Group will be exposed to operating and management risks.

(2) *Risks arising from acquisitions and reorganizations*

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

V. *Foreign exchange risk*

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

VI. *Force majeure risks*

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

4. Other Events

A. *2019 Shareholding Increase Plan of the Controlling Shareholder*

As notified and confirmed by Shanghai Fosun High Technology (Group) Company Limited* (上海復星高科技(集團)有限公司) (“**Fosun High Tech**”), the controlling shareholder of the Company, in writing on 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 within the 12 months commencing from 19 September 2019 (inclusive), if and where appropriate, 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 issued shares of the Company as at 19 September 2019 (i.e. 2,562,898,545 shares) (and the aggregated number of shares of the Company acquired in the 12-month period shall not exceed 2% of the total number of the issued shares of 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 16,369,500 H shares of the Company for an aggregate amount of approximately RMB369.81 million, representing approximately 0.64% of the total issued shares of the Company as at 19 September 2019.

B. *Inter-bank Market Debt Financing Instruments*

The Mandate to Issue Inter-bank Market Debt Financing Instruments

The issuance of the first tranche of super short-term commercial papers for 2020 was completed by the Company in March 2020 in the aggregate principal amount of RMB0.6 billion. The value date of such super short-term commercial papers issued is 2 March 2020, with the final coupon rate at 2.50%.

The issuance of the second tranche of super short-term commercial papers for 2020 was completed by the Company in April 2020 in the aggregate principal amount of RMB0.3 billion. The value date of such super short-term commercial papers issued is 8 April 2020, with the final coupon rate at 2.20%.

Acceptance for Registration of Inter-Bank Market Debt Financing Instruments

The National Association of Financial Market Institutional Investors (“NAFMII”) accepted the registration for the Company’s super short-term commercial papers and mid-term notes by issuing the “Notice of Acceptance for Registration” (Zhong Shi Xie Zhu [2020] No. SCP325) and the “Notice of Acceptance for Registration” (Zhong Shi Xie Zhu [2020] No. MTN677) in May and June 2020, respectively. The registered amount for each of the Company’s super short-term commercial papers and mid-term notes is RMB5 billion. Such registered amount shall be effective for 2 years commencing from the date of issuance of the relevant notice, and the Company may issue in tranches within the effective period of registration.

C. *Approval for Registration of Public Issuance of Corporate Bonds to Professional Investors*

On 15 April 2020, the China Securities Regulatory Commission (“CSRC”) issued the “Approval on the Public Issuance of Corporate Bonds to Professional Investors by Shanghai Fosun Pharmaceutical (Group) Co., Ltd.*” (Zheng Jian Xu Ke [2020] No. 701), which approved the application for registration of the Company’s public issuance of corporate bonds not exceeding RMB5 billion to professional investors. The registered amount shall be valid for 24 months from the date of the CSRC’s approval for registration, and the Company may issue in tranches within the valid period of registration.

D. *Proposed Overseas Listing of Gland Pharma*

On 30 December 2019, the shareholders of the Company approved, among other things, the resolutions in relation to the proposed spin-off of Gland Pharma, a subsidiary of the Company and the overseas listing on The National Stock Exchange of India Limited (the “NSE”) and BSE Limited (the “BSE”).

During the Reporting Period, the Company received the “Letter Regarding the Spin-off and Overseas Listing of Subsidiary by Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (Guo He Han [2020] No. 417)” from the International Cooperation Division of CSRC for the

proposed spin-off and overseas listing of Gland Pharma, pursuant to which, the International Cooperation Division of CSRC has no objection to relevant matters regarding the overseas listing of Gland Pharma. The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) has confirmed that the Company may proceed the spin-off of Gland Pharma for overseas listing.

On 10 July 2020, Gland Pharma submitted the draft red herring prospectus to the Securities and Exchange Board of India (“**SEBI**”), the NSE and the BSE in relation to its proposed initial public offering of its equity shares; and as at the date of this announcement, Gland Pharma has received in-principle approval from NSE and BSE for the listing of its equity shares on NSE and BSE. The proposed overseas listing is still subject to further review by, and the final approval from, among others, the relevant Indian regulatory authorities.

E. *Proposed Listing of Shanghai Henlius on the Science and Technology Innovation Board*

The shareholders of the Company approved, among other matters, the resolutions in relation to the proposed listing of Shanghai Henlius, a subsidiary of the Company, on the Science and Technology Innovation Board on 28 May 2020, which proposed a domestic initial public offering of the ordinary shares of Shanghai Henlius denominated in RMB (A shares) and listing on the Science and Technology Innovation Board of the Shanghai Stock Exchange.

As at the end of the Reporting Period, the proposed listing of Shanghai Henlius on the Science and Technology Innovation Board is subject to, among others, review by the Shanghai Stock Exchange (“**Shanghai Stock Exchange**”) and submission to the CSRC for issuance and registration procedures.

F. *Gland Pharma Share Option Incentive Scheme*

The shareholders of the Company approved, among other matters, the Gland Pharma Share Option Incentive Scheme (the “**Gland Pharma Share Option Incentive Scheme**”) on 25 June 2019. The purpose of the Gland Pharma Share Option Incentive Scheme is to (i) reward the employees for their past as well as future performance, (ii) align the interests of the employees with those of shareholders of Gland Pharma, (iii) foster the sense of ownership of the employees, and (iv) reward the employees for their loyalty.

Subject to the provisions of the Gland Pharma Share Option Incentive Scheme, the maximum number of shares of Gland Pharma (the “**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 date on which the shareholders of Gland Pharma approved the adoption of the Gland Pharma Share Option Incentive Scheme. Subject to the limitations prescribed under the Gland Pharma Share Option Incentive Scheme, Gland Pharma reserves the right to increase or reduce such number of Gland Pharma Shares as it deems fit.

On 27 June 2019, a total of 154,950 options were granted to 103 participants under the Gland Pharma Share Option Incentive Scheme with an exercise price of INR5,420 per Gland Pharma Share, of which 102 participants accepted options underlying 154,650 Gland Pharma Shares. 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.

On 17 March 2020, Gland Pharma completed the share subdivision on the basis that every one (1) outstanding Gland Pharma Share be subdivided into ten (10) Gland Pharma Shares. According to the provisions of the Gland Pharma Share Option Incentive Scheme, upon the completion of the share subdivision of Gland Pharma, adjustments shall be made to the exercise price of the outstanding options and the number of Gland Pharma Shares to be allotted and issued upon exercise of all the outstanding options in accordance with the terms of the Gland Pharma Share Option Incentive Scheme.

During the Reporting Period, the details of the changes in the outstanding options under the Gland Pharma Share Option Incentive Scheme are set out below:

Participant	Date of Grant (dd-mm-yyyy)	Vesting Date (dd-mm-yyyy) ⁽¹⁾	Option share ⁽¹⁾	Exercise Period ⁽¹⁾	Outstanding options as at 1 January 2020	Adjusted during the Reporting Period ⁽²⁾	Exercise price per share ⁽³⁾	Forfeited or lapsed during the reporting period ⁽⁴⁾	Outstanding options as at 30 June 2020
Employees of Gland Pharma	27-6-2019	26-6-2020		26-6-2020 to 26-6-2029	151,350	1,362,150	INR542	(20,000)	1,493,500
		31-3-2021	40%	31-3-2021 to 26-6-2029					
		31-3-2022		31-3-2022 to 26-6-2029					
		31-3-2021	30%	31-3-2021 to 26-6-2029					
		31-3-2022		31-3-2022 to 26-6-2029					
		31-3-2022	30%	31-3-2022 to 26-6-2029					

Note :

- (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) The total number of share options was adjusted due to Gland Pharma's share subdivision on 17 March 2020.
- (3) The exercise price per share was adjusted due to Gland Pharma's share subdivision on 17 March 2020.
- (4) During the Reporting Period, as 3 participants ceased to serve as employees of Gland Pharma, the granted share options involving 20,000 subdivided shares of Gland Pharma lapsed.
- (5) During the Reporting Period, no options granted under the Gland Pharma Share Option Incentive Scheme were exercised.

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

Sell back of “17 Fosun 01” Corporate Bond

On 5 March 2020, the Company made payment of the principal amount and the interest accrued thereon to the holders who had made valid applications for the sell back a number of 1,580,500 “17 Fosun 01” corporate bonds according to the right of adjustment to the coupon rate of “17 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 2017 by Shanghai Fosun Pharmaceutical (Group) Co, Ltd.*” (《上海復星醫藥(集團)股份有限公司2017年公開發行公司債券(面向合格投資者)(第一期)募集說明書》). Upon the completion of such sell back, the number of “17 Fosun 01” corporate bonds listed and traded on the Shanghai Stock Exchange was reduced to 10,919,500 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.

COMPLIANCE WITH THE CG CODE

As a company whose shares 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 Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Hong Kong Listing Rules**”). The Company is committed to continually improve its corporate governance structure, and to optimize its internal management and control and its business operation in order to improve the corporate governance of the Company.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The Group's unaudited interim results for the six months ended 30 June 2020 have been reviewed by the Audit Committee of the Company.

INTERIM DIVIDEND

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

PUBLICATION OF INTERIM RESULTS AND 2020 INTERIM REPORT

This announcement is published on the websites of the Company (<http://www.fosunpharma.com>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>). The 2020 Interim Report will be dispatched to the Shareholders and will be made available on the websites of the Company and the Hong Kong Stock Exchange as and when appropriate.

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

Shanghai, the PRC
25 August 2020

As at the date of this announcement, the executive directors of the Company are Mr. Chen Qiyu, Mr. Yao Fang and Mr. Wu Yifang; the non-executive directors of the Company are Mr. Xu Xiaoliang, Mr. Gong Ping and Mr. Pan Donghui; and the independent non-executive directors of the Company are Mr. Jiang Xian, Dr. Wong Tin Yau Kelvin, Ms. Li Ling and Mr. Tang Guliang.

** for identification purposes only*